



# Tennessee Housing Development Agency

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**Bill Lee**  
Governor

**Ralph M. Perrey**  
Executive Director

## MEMORANDUM

**TO:** Persons Interested in the Low-Income Housing Tax Credit Program

**FROM:** Edwin King  
Director of Multifamily Programs

**DATE:** November 17, 2020

**SUBJECT:** Low-Income Housing Credit 2021 Qualified Allocation Plan

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The following document is the Low-Income Housing Credit 2021 Qualified Allocation Plan (the “2021 QAP”) as approved by the THDA Board of Directors on July 28, 2020. The 2021 QAP has been submitted to Governor Lee for final approval.

Prior to Governor Lee’s approval, the 2021 QAP is not final.



## **Low-Income Housing Credit 2021 Qualified Allocation Plan**

Administered by:

Multifamily Programs Division

Tennessee Housing Development Agency

Ralph M. Perrey, Executive Director

Approved by THDA Board of Directors July 28, 2020

**Low-Income Housing Credit 2021 Qualified Allocation Plan  
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## **Section 1: Introduction and Disclaimers**

The Tennessee Housing Development Agency (“THDA”) administers the Low–Income Housing Credit program in Tennessee. The Low–Income Housing Credit (“Housing Credit”) program was created by the Tax Reform Act of 1986 under Section 42 of the Internal Revenue Code of 1986, as amended (“Section 42”), to encourage the construction and rehabilitation of rental housing for low–income individuals and families. Under Section 42(m), THDA is required to develop a Qualified Allocation Plan (“QAP”) to define the process by which it will allocate an annual amount of Housing Credit in Tennessee.

This QAP contains “electronic links” to resources utilized by THDA in the application process such as the Tennessee Growth Policy Act, Multifamily Tax Subsidy Project Income Limits, Qualified Census Tracts, designations of Difficult to Develop Areas, Fair Housing Act requirements, etc. “**Attachments**” are forms or documents, which must be submitted in the Tennessee Housing On–line Management Administration System (“THOMAS”) as part of the Initial Application. Initial Application information entered into THOMAS, including attachments, are, collectively, part of the “Initial Application” and all are considered part of the QAP.

All QAP requirements, Initial Application requirements, and Code requirements must be met. These requirements include, without limitation, all applicable requirements of the THOMAS User Manual and use of all applicable forms and templates from the THOMAS Documents Page.

This QAP has been approved by the THDA Board of Directors and adopted by the Governor of Tennessee.

When this QAP calls for some THDA action, including but not limited to a determination, adjustment, review, evaluation, or exercise of discretion, all such actions shall be at THDA’s sole discretion, whether specifically so stated or not.

No person or entity who submits an Initial Application shall have any right to an allocation of Housing Credit under this QAP based solely on the score assigned to their Initial Application.

### **The QAP as Public Policy**

The policy surrounding this QAP is to use the Housing Credit allocated to Tennessee to create, maintain, and preserve affordable rental housing for low–income households. Specific objectives of this QAP are to:

- A. Make rental units affordable, in the areas of greatest need, to households with as low an income as possible and for the longest time period possible;
- B. Encourage development of appropriate housing units for persons with special needs, including the elderly, the homeless and the disabled;
- C. Allocate only the minimum amount of Housing Credit necessary to make a development financially feasible and viable throughout the credit period;
- D. Encourage Qualified Nonprofit Organizations to develop rental housing for low–income households;
- E. Encourage fair distribution of Housing Credit among counties and developers; and
- F. Allocate Housing Credit fairly.



### **Amendments**

THDA may amend any part of this QAP following public notice and approval by the THDA Board of Directors. Such amendment is expressly permitted by this QAP, and the making of such amendment will not require further public hearings or approval by the Governor. THDA, in accordance with Section 42, may impose additional requirements in order to fulfill the objectives of its housing initiatives.

### **Document Review**

THDA will review and evaluate only those materials submitted in compliance with the requirements of this QAP. THDA will not evaluate any materials submitted outside the deadlines for submission of such materials and will assume no obligation to request additional information from applicants for any purpose. THDA may require additional information and/or documentation if THDA determines that additional information is necessary for clarification and/or explanation. THDA's review of documents submitted with any Initial Application, including Initial Applications or documents submitted in connection with Housing Credit reserved or allocated under this QAP is for THDA's own purposes and is not for the purpose of advising, certifying, representing or warranting to others as to the feasibility or viability of any proposed development.

### **Adverse Action by Local Jurisdiction**

If, following the allocation of Housing Credit to a proposed development, the local jurisdiction in which the proposed development is located takes action that THDA, in its sole discretion, determines to be for the primary purpose of preventing the proposed development from satisfying applicable program requirements, THDA may lower the amount of Housing Credit available to that jurisdiction in future Qualified Allocation Plans. Examples include, without limitation, "downzoning", action regarding utilities or utility connections, action regarding required public roads, or action to prevent issuance of Certificates of Occupancy.

### **No THDA Liability**

No member, officer, agent, or employee of THDA shall have any personal liability with respect to any matters arising out of, or in relation to, this QAP, Housing Credit reserved or allocated under this QAP or the monitoring of Housing Credit developments.

THDA makes no representations or warranties to applicants, developers, owners or anyone else as to compliance with Section 42, Treasury regulations, or any other laws or regulations applying to Housing Credit or Housing Credit developments or as to the feasibility or viability of any proposed Housing Credit development.

### **Enforcement**

In the event THDA seeks enforcement of any matter connected with any reservation, allocation or monitoring of Housing Credit, or any other matter connected with Housing Credit, THDA shall be entitled to recover all damages, costs, expenses and fees, including without limitation, all court costs, all legal fees and expenses, and all staff time, from any party connected with any Housing Credit development.

### **False Statements**

- A. Tennessee Code Annotated, Section 13-23-133, makes it a Class E felony for any person to knowingly make, utter, or publish a false statement of substance or aid or abet another person in making, uttering, or publishing a false statement of substance for the purpose of influencing THDA to allow participation in the Housing Credit Program. Any and all statements contained in any materials, including without limitation, an Initial Application and any other applications, documents, letters, opinions, or certifications, submitted to THDA in connection with any Initial Application, subsequent applications or in connection with Housing Credit reserved, allocated or



monitored for compliance under this QAP or otherwise made by an applicant or other person connected in any way with Housing Credit reserved, allocated or monitored for compliance under this QAP are statements of substance made for the purpose of influencing THDA to allow participation in the Housing Credit Program.

- B. By submitting any materials, including without limitation, an Initial Application and any other applications, documents, letters, opinions, or certifications to THDA in an effort to obtain or maintain Housing Credit, the applicant and all parties connected with the development proposed in the Initial Application acknowledge and agree (1) they are entering into a contract with THDA; and (2) they intend for THDA to rely on and seek enforcement of all selections or statements (written or oral) made with respect to any reservation, allocation or monitoring of Housing Credit by any and all means available, including, without limitation, specific performance; and (3) they are knowingly making, uttering or publishing or aiding and abetting others in making, uttering or publishing statements of substance for the purpose of influencing THDA to allow participation in the Housing Credit program.



## **Section 2: Definitions**

**20/50 Test** – The 20/50 test is a federal minimum set–aside that may be elected by an applicant for Housing Credit that requires at least 20% of the units in a Housing Credit development to be both rent restricted and occupied by households whose income is less than or equal to 50% of area median gross income. This is an irrevocable election made in an Initial Application.

**40/60 Test** – The 40/60 test is a federal minimum set–aside that may be elected by an applicant for Housing Credit that requires at least 40% of the units in a Housing Credit development to be both rent restricted and occupied by households whose income is less than or equal to 60% of area median gross income. This is an irrevocable election made in an Initial Application.

**60 Percent Income Averaging Test** – The 60 Percent Income Averaging Test is a federal minimum set–aside that may be elected by an applicant for Housing Credit. Under this election, at least 40% of the units in a Housing Credit development are required to be both rent restricted and occupied by individuals whose incomes do not exceed the imputed income limitation designated by the applicant. This is an irrevocable election made at Initial Application. The average of the imputed income limitations designated cannot exceed 60% of AMI. The designated imputed income limitations must be in 10% increments as follows: 20%, 30%, 40%, 50%, 60%, 70%, and 80%. Guidance regarding the 60 Percent Income Averaging Test may be found on the THOMAS Documents Page.

**Adaptive Reuse/Conversion** – The renovation and reuse of a pre–existing building that has not been used for residential purposes and creates additional affordable housing units. Pre–existing buildings used as hotels or motels are eligible as Adaptive Reuse/Conversion. Adaptive Reuse/Conversion will be evaluated and reviewed as New Construction.

**AMI** – Area Median Income as determined by HUD.

**Applicable Fraction** – the smaller of the Unit Fraction or the Floor Space Fraction.

**Appraisal** – An opinion of value for land and building cost.

**Basis Boost** – An increase of up to 30 percent in eligible basis for a building in order to improve the financial feasibility of the building in a difficult to develop area, as determined by THDA in its sole discretion.

**Building Permit(s)** – Formal approval of building plans by the local government authority or building department certifying that the building plans meet the requirements of applicable codes to construct, enlarge, or alter a building, which allows construction to proceed.

**Capital Needs Assessment** – See Physical Needs Assessment.

**Carryover Allocation Agreement** – The document allocating Housing Credit when a development that received a Reservation Notice will not be placed in service in the same year as the Reservation Notice. This document is issued by THDA and extends the required placed–in–service date to the end of the second calendar year after the year of the Reservation Notice.

**Carryover Allocation Application** – The application and all related documentation required when a development with a Reservation Notice will not be placed in service in the same year as the Reservation Notice.



Certificate of Occupancy – Formal approval by the relevant local government that a building is suitable for occupancy.

CNI – Choice Neighborhoods Implementation Grants awarded by HUD to PHAs, local governments, or tribal entities to revitalize severely distressed public housing and/or HUD assisted multifamily housing projects.

Code – Internal Revenue Code of 1986, as amended, together with all subsequent tax legislation duly enacted by the Congress of the United States, all United States Treasury Regulations in effect with respect thereto (including regulations first promulgated under previous versions of the Code) and all revenue procedures, revenue rulings, or other published determinations of the Treasury Department or the Internal Revenue Service of the United States.

Compliance Period – The period of 15 taxable years, commencing on the first day of the taxable year in which any building that is part of the Housing Credit development is placed in service or, if deferred by election of the owner of the Housing Credit development, the first day of the next calendar year, but only if the building is a qualified low-income building as of the close of the first year of such period.

Concerted Community Revitalization Plan (CRP) – A document that assesses the health and potential prosperity of an area through public interaction and assessment of the physical, social and economic health of the citizenry, businesses, infrastructure and built environment in the area. A CRP must contain all of the following:

1. A target area with clearly defined geographic boundaries.
2. A defined role for the lead and/or convening organization that will coordinate all other partners' efforts and monitor plan progress.
3. A steering committee or coalition that is representative of the community and is charged with guiding the process.
4. A survey of current conditions, a needs assessment and/or an asset map that defines community assets upfront and clearly identifies challenges to be addressed. The data should include demographics, economic vitality, and public investment.
5. Public meetings and surveys to identify the citizen and business' vision for the neighborhood/target area.
6. Minimum elements the plan should address include Housing, Education, Infrastructure and Economic Development.
7. Defined outcomes and objectives based both on data and community outreach. Outcomes should be realistic and responsive to the interests of the community.
8. A set of strategies to achieve the outcomes.
9. A proposed timeline for implementation of strategies.
10. Proposed funding for implementation.
11. Continued evaluation of progress, allowing periodic assessment of what is working, what is not and where adjustments are needed.
12. Approval of the plan from the appropriate local entity.

Conditional 42(m) Letter – A letter issued by THDA to applicants seeking 4% Housing Credit in conjunction with uncommitted Multifamily Tax-Exempt Bond Authority.

Construction Schedule – A document showing work to be performed, resources to perform the work and timeframes in which the work is expected to be performed. The Construction Schedule should reflect all the work associated with delivering a Housing Credit development on time.





Cost Certification – The certification of actual total development costs for a Housing Credit development and the amount of Housing Credit eligible basis in the Housing Credit development upon completion of the development.

Credit Period – The 10–year period over which Housing Credit may be claimed. The Credit Period begins on the first day of the taxable year in which any building that is part of a Housing Credit development is placed in service or, if deferred by election of the owner of the Housing Credit development, the first day of the next calendar year, but only if the building is a qualified low–income building as of the close of the first year of such period.

Cure Notice – The notice sent by THDA to the contact person specified in an Initial Application after completion of Initial Application review to indicate deficiencies in the Initial Application.

Development Team – Any individual or member of the development team including Governors/Directors, Members, and Managers/Officers of the Ownership Entity; Officers, Directors, and Stockholders of the Development Entity; and Officers, Directors and Stockholders of the Property Management Company.

Difficult Development Area (DDA) –Any area designated as such by HUD or as so defined by THDA in accordance with Section 42(d)(5)(B)(v). The list is available here: <https://www.huduser.gov/portal/datasets/qct.html>.

Draw Package — Monthly report that includes the following:

1. Request for funds
2. Documentation of change orders
3. Tracking of finances and progress of development
4. Architect inspection report.

Energy Star – Energy efficient designation that must be obtained in order to utilize the Energy Star Utility Allowances published on the THDA website.

Evaluation Notice – A notice provided by THDA to request clarification or additional information during review of a Carryover Allocation Application, requested status report on the development, 10 percent Test, Final Application, quarterly construction report, or certified property management application; during an on–site inspection of the property during construction, after the buildings are placed in service or during the term of the Extended Use Agreement; or other compliance concern identified by THDA in its sole discretion. Failure to respond to successive Evaluation Notices by the Final deadline allows THDA, in its sole discretion, to return or reject the application, recapture the allocation, or issue an event of noncompliance under the terms of the Extended Use Agreement.

Executed Notice to Proceed – The Notice to Proceed date marks the beginning of the performance time of the construction contract.



Extended Use Agreement – Also known as the Declaration of Land Use Restrictive Covenants for Low–Income Housing Tax Credits (“LURC”). The LURC evidences choices made by an applicant for points and:

1. Requires that the applicable fraction for each building for each taxable year during the term of the LURC will not be less than the applicable fraction specified in such agreement;
2. Prohibits the eviction or termination of the tenancy (except for good cause) of an existing low–income resident or any increase in the gross rent with respect to a low–income unit that is not otherwise permitted;
3. Allows individuals who meet the income limitation applicable to the building (whether prospective, present, or former occupants of the building) the right to enforce in any State court the rights under (1) and (2) above;
4. Prohibits the disposition to any person of any portion of the building to which the LURC applies, unless all of the building to which the LURC applies is disposed of to such person;
5. Prohibits the refusal to lease to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective resident as such a holder;
6. Is binding on all successors of the owner of a Housing Credit development;
7. Is recorded in the real property records of the county in which the Housing Credit development is located as a restrictive covenant running with the land; and
8. Commences on the first day of the Compliance Period for a term of at least thirty (30) years.

Existing Multifamily Housing – A multifamily development that will preserve affordable housing units that are rent and income restricted or, through rehabilitation of units that were not previously affordable, create affordable housing units. Initial Applications proposing developments that combine Existing Multifamily Housing and new construction will be evaluated and reviewed as Existing Multifamily Housing.

Final Application – The application and all related documentation required when a Housing Credit development is to be placed in service and for which IRS Forms 8609 are sought.

Final Notice – The THDA notice sent to initial applicants, after the Tax Credit Committee (TCC) Review Meeting has been held. This notice will summarize the final eligibility and scoring determinations.

Firm 42(m) Letter – A letter issued by THDA to applicants seeking 4% Housing Credit in conjunction with a commitment of Multifamily Tax–Exempt Bond Authority.

Floor Space Fraction – The numerator of which is the total floor space of the Low–Income Units in a building and the denominator of which is the total floor space of the residential units (whether or not occupied) in the same building.

Forms and Templates – THDA provided documents that are used in conjunction with Initial, Carryover, or Final Applications and processes.

Hard Cost – Costs directly related to the physical construction of a building in a Housing Credit development such as construction materials and construction labor.

Housing Credit Ceiling – The maximum amount of Housing Credit THDA may allocate in a given year.

HUD – The federal Department of Housing and Urban Development.



Incremental Development – A proposed development that adds units to a Housing Credit development that received an allocation of 2020 Housing Credit.

Initial Application – The application and all related documentation required when an allocation of Housing Credit is sought for a proposed development.

IRS – Internal Revenue Service.

Local Government Notification – Notice provided by THDA, following receipt of Initial Applications, to the chief executive officer (or the equivalent) of the local government in whose jurisdiction a development proposed in an Initial Application is to be located. Such individual will have an opportunity to comment on the development proposed in the Initial Application to be located in the jurisdiction, as required by Section 42(m)(1)(A)(ii).

Low-Income Unit – Any unit in a building if such unit is rent-restricted as provided in Section 42 or this QAP and the individuals occupying such unit meet the income limitation applicable as provided in Section 42 or this QAP.

Market Study – An analysis of the market conditions of supply, demand and pricing for a specific property type in specific areas.

Modification – Any changes to location, buildings, units, square footage, scoring items, etc. which determine eligibility for an allocation of Housing Credit.

MTBA – Multifamily Tax-Exempt Bond Authority.

Percentage of Construction Complete –  $\frac{\text{Total Development Cost Incurred as of Report Date}}{\text{Total Development Costs}} \times 100$

Person with Disabilities – A person, who has a physical, mental or emotional impairment that is expected to be of long-continued and indefinite duration; substantially impedes his or her ability to live independently; and is of such a nature that such disability could be improved by more suitable housing. A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the person attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and reflects the person's need for a combination and sequence of special interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.

PHA – A public housing authority created under the Housing Authorities Law, Tennessee Code Annotated Section 13-20-101, et seq.

Phase 2 Development – A proposed development that first adds units to Existing Multifamily Housing when the construction of the Existing Multifamily Housing is complete and at least 50 percent of the units in the Existing Multifamily Housing have been leased to tenants and at rents selected for the Existing Multifamily Housing.

Placed in Service Application – See Final Application.



Physical Needs Assessment – A detailed work plan showing all necessary and contemplated improvements and projected costs.

Preliminary Ranking List – A preliminary confirmation of a reservation of Housing Credit from the associated competitive application process.

Pre-Existing Building – A building containing residential rental units previously occupied or approved for occupancy by the applicable authority having jurisdiction.

Property Control – Documentation submitted in conjunction with the Initial Application that demonstrates control of the property on which the development proposed in the Initial Application is to be located.

Qualified Census Tract (QCT) – Any census tract identified as such by HUD. The list is available here: <https://www.huduser.gov/portal/datasets/qct.html>.

Qualified Contract Process (QCP) – The process carried out in compliance with elections made in the relevant QAP and THDA’s Qualified Contract Process Guidelines (available here: <https://thda.org/pdf/06.01.20-QUALIFIED-CONTRACT-GUIDELINES-REVISED-FOR-VENDOR-NEEDS.pdf>).

Qualified Nonprofit Organization – An organization that is described in Section 501(c)(3) or (4) of the Code that is exempt from tax under Section 501(a) of the Code, and that meets the additional requirements contained in Section 7 of this QAP.

RAD – Rental Assistance Demonstration Program administered by HUD that allows PHAs and owners of other HUD–assisted properties to convert (public housing or other assisted) units from their original sources of HUD financing to project–based Section 8 contracts.

Related Parties – In relation to the Initial Application, any subsequent application or any request for a Modification, related parties include, the applicant, developer, owner, entities with commonality of one or more persons with those listed in the Ownership Entity Breakdown, entities with commonality of one or more persons with those listed in the Developer Entity Breakdown, and any of the following:

- a. Any person or entity who has a right to (i) replace the developer, (ii) act as co–developer, (iii) replace any individuals or entities who comprise a developer or co–developer, or (iv) otherwise direct the activities of the developer will be considered a developer for purposes of applying this limit.
- b. Any person or entity who has a right to (i) replace the general partner of the owner or applicant, (ii) act as co–general partner of the owner or applicant, (iii) replace any individuals or entities who comprise a general partner or co–general partner of the owner or applicant, or (iv) otherwise direct the activities of the general partner of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
- c. Any person or entity who has a right to (i) replace the controlling stockholder of the owner or applicant, (ii) act as controlling stockholder of owner or applicant, (iii) replace any individuals or entities who comprise a controlling stockholder of the owner or applicant, or (iv) otherwise direct the activities of the controlling stockholder of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
- d. Any person or entity who has a right to (i) replace the managing member of the owner or applicant, (ii) act as co–managing member of the owner or applicant, (iii) replace any individuals or entities who comprise a managing member or co–managing member of the owner or applicant, or (iv)



otherwise direct the activities of the managing member of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.

- e. Any person who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents.
- f. This limit will also apply to any person or entity that is related to any person or entity specified above.

Reservation Notice – Notice from THDA to the contact person specified in an Initial Application that Housing Credit may be made available in the competitive Housing Credit allocation process.

Review Notice – The notice sent to the contact person specified in an Initial Application after THDA has reviewed documentation sent in conjunction with a Cure Notice.

Rural – Counties identified as rural on the THOMAS Documents Page.

Scope of Work – A general description of the construction/rehabilitation work that is expected to be performed under a construction contract. The Scope of Work should contain any milestones, reports, deliverables, and end products expected to be provided. The Scope of Work should contain a timeline for all deliverables.

Section 42 – Section 42 of the Code, as amended, together with all subsequent legislation duly enacted by the Congress of the United States affecting Section 42, all United States Treasury Regulations in effect with respect thereto (including regulations first promulgated under previous versions of the Code) and all revenue procedures, revenue rulings, or other published determinations of the Treasury Department or the Internal Revenue Service of the United States applicable to Section 42.

Significant Adverse Event (SAE) – An occurrence of noncompliance (curable or incurable), program fraud or misrepresentation, or an act that adversely conflicts with THDA’s mission as described in Section 6 of this QAP.

Special Housing Needs – Housing needs served by housing that has been constructed or rehabilitated with special features (e.g. location, design, layout, or on-site services) to help people live at the highest level of independence in the community. For example, the unit may be adapted to accommodate special physical or medical needs; or provide on-site services such as staff support for the elderly, individuals with mental health issues, developmental, or other social needs.

Supportive Service – Any service provided under a planned program of services designed to enable residents of Housing Credit developments to remain independent and avoid placement in a hospital, nursing home or intermediate care facility.

Suburban – Counties identified as suburban on the THOMAS Documents Page.

Tennessee Growth Policy Act – Tennessee Code Annotated Section 6-68-101 et seq. that requires growth plans approved by the Tennessee Advisory Commission on Intergovernmental Relations. Information available here: <https://www.tn.gov/tacir/tennessee-county-growth-plans.html>.

Total Development Cost – The total of actual costs associated with new construction or rehabilitation development activities, as determined to be reasonable by THDA, in its sole discretion.



THOMAS Documents Page – A web page with necessary forms, templates, guidance, calendar, and links that are used in all application processes. The THOMAS Documents Page is incorporated into this QAP by this reference as if set forth in this QAP verbatim, and is available here: <https://thda.org/rental-housing-partners/multi-family-developers/thomas-documents>.

THOMAS – The Tennessee Housing Online Management and Application System.

THOMAS User Manual – THDA provided document that gives guidance for use of THOMAS. The THOMAS User Manual is incorporated into this QAP by this reference as if set forth in this QAP verbatim.

Uniform Physical Conditional Standards (UPCS) – The HUD requirements that govern the physical condition of Housing Credit developments.

Unit Fraction – The numerator of which is the number of Low-Income Units in a building and the denominator of which is the number of residential rental units (whether or not occupied) in the same building.

Urban – Counties identified as urban on the THOMAS Documents Page.

Urbanicity – The quality or fact of (an area) being urban. The degree to which a given geographical area is urban. Urbanicity designations can be found on the THOMAS Documents Page.

Zoning – Written documentation from the appropriate local government authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the development proposed in the Initial Application.



### **Section 3: Limits on Housing Credit Allocations**

THDA will only allocate an amount of Housing Credit necessary for the financial feasibility of a development and its viability as a qualified low-income housing development in accordance with Section 42(m)(2). THDA may reject or require modifications to Initial Applications for Housing Credit when THDA determines that the proposed development is not financially feasible or does not need Housing Credit. THDA may also reserve or allocate an amount of Housing Credit less than the amount requested in an Initial Application, in a Carryover Allocation Application or in a Final Application. THDA's determination under Section 42(m)(2) shall not be construed to be a representation or warranty by THDA as to the financial feasibility, viability, or lack thereof, of any development.

#### **A. Annual Ceiling**

The methodology to determine the annual Housing Credit Ceiling is contained in Section 42 (h)(3)(C)(i).

#### **B. Set-Asides and Available Housing Credit Amounts by Set-Aside**

1. Non-Profit Set-Aside – No less than 10% of the annual Housing Credit Ceiling will be allocated to Qualified Nonprofit Organizations. THDA reserves the right to make allocations of Housing Credit to Qualified Nonprofit Organizations as needed to meet the requirements of Section 42(h)(5).
2. CNI Grants – Eligible PHAs with qualified CNI grants may receive an allocation of Housing Credit outside of the PHA Set-Aside. The annual amount of Housing Credit to be allocated to Initial Applications involving CNI grants shall not exceed \$1,700,000.
3. PHA Set-Aside – No more than 20% of the annual Housing Credit Ceiling will be allocated to developments involving a PHA that meets the requirements of Section 9 of this QAP.
4. Existing Multifamily Housing – No more than 25% of the annual Housing Credit Ceiling will be allocated to developments that include rehabilitation of Existing Multifamily Housing.
5. New Construction – Annual Housing Credit Ceiling will be allocated to developments involving new construction using the regional pool methodology described below.

#### **C. New Construction Regional Pools**

1. THDA may allocate Housing Credit to developments proposing new construction from one of the following four regional pools:



### 2021 QAP New Construction Regional Pools



2. Reservations by regional pool:
  - a. In Pool 1, THDA may issue up to three Reservation Notices to eligible Initial Applications.
  - b. In each of the three remaining pools, THDA may issue up to two Reservation Notices to eligible Initial Applications.

#### D. Incremental Developments

The proposed new units must be located on the same parcel of land with a development that previously received an allocation of Housing Credits, share a common financing plan and use the same Development Team.

Initial Applications proposing Incremental Developments will be reviewed, evaluated, and scored based solely on the costs, characteristics, and other elements of the new housing units added. If an Incremental Development receives an allocation of competitive Housing Credit under this QAP, the development will be subject to the following limitations, based on the cumulative costs of the entire development as proposed:

1. By County
2. By Development
3. By Developer or Related Parties
4. Aggregate Qualified Census Tract
5. Total Development Cost Per Total Unit Limit
6. Second Allocation
7. Financial Feasibility
8. Developer, Consultant, Contractor, Overhead and General Requirements Fees

THDA reserves the right to determine, in its sole discretion, whether an Initial Application proposes an Incremental Development or a Phase 2 Development.

#### E. New Construction Per Development Limits

Initial Applications proposing developments involving new construction are not eligible for annual Housing Credit that exceeds the following limits:





Table 3–1: New Construction Per Development Limits By Urbanicity	
Urbanicity Designation	Maximum Per Development Limit
Urban	\$1,300,000
Suburban	\$1,100,000
Rural	\$900,000

**F. Existing Multifamily Housing Limit**

Initial Applications proposing developments involving Existing Multifamily Housing are not eligible for annual Housing Credit in excess of \$1,000,000.

**G. Total Development Cost Limits**

In order to be eligible, Initial Applications for Housing Credit must propose Total Development Costs that do not exceed the applicable amount in Table 3–2 below. The Total Development Cost Limits are a one–time test applied at Initial Application.

Table 3–2: Total Development Cost Limits Per Unit by Development Type					
Development Type	1 BR	2 BR	3 BR	4 BR	5 BR
<b>Urban</b>					
Detached/Semi–detached	\$226,000	\$270,000	\$322,000	\$380,000	\$417,000
Row House	\$195,000	\$236,000	\$289,000	\$343,000	\$377,000
Walkup	\$177,000	\$224,000	\$295,000	\$365,000	\$411,000
Elevator	\$190,000	\$245,000	\$326,000	\$407,000	\$467,000
<b>Suburban</b>					
Detached/Semi–detached	\$212,000	\$254,000	\$302,000	\$357,000	\$391,000
Row House	\$183,000	\$221,000	\$271,000	\$322,000	\$354,000
Walkup	\$166,000	\$209,000	\$275,000	\$341,000	\$384,000
Elevator	\$178,000	\$229,000	\$306,000	\$382,000	\$433,000
<b>Rural</b>					
Detached/Semi–detached	\$199,000	\$238,000	\$284,000	\$335,000	\$367,000
Row House	\$172,000	\$209,000	\$256,000	\$304,000	\$334,000
Walkup	\$157,000	\$198,000	\$261,000	\$323,000	\$363,000
Elevator	\$167,000	\$215,000	\$287,000	\$358,000	\$406,000



**H. Developer or Related Parties Limits**

1. The maximum amount of Housing Credit that may be allocated to a single applicant, developer, owner, or Related Parties shall not exceed two million six hundred thousand dollars (\$2,600,000).
2. An applicant, developer, owner, or Related Parties may not be involved in more than one Initial Application per county. THDA reserves the right to determine, in its sole discretion, whether Related Parties are involved for the purpose of applying this limit.

**I. Developer Fees and Consultant Fees Limits**

1. The combined total of developer and consultant fees that may be included in the determination of the amount of Housing Credit for a particular development cannot exceed 15% of that portion of THDA determined eligible basis attributable to acquisition (before the addition of the developer and consultant fees), and cannot exceed 15% of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the developer and consultant fees). Construction Advisory or Construction Supervision fees listed separately from the maximum allowed Contractor Fees will be considered as a Consultant Fee.
2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total of developer fees, consultant fees, and contractor profit, contractor overhead, and general requirements, that may be included in the determination of the amount of Housing Credit for a particular development, cannot exceed 15% of THDA determined eligible basis of that portion of the development attributable to acquisition (before the addition of the fees), and cannot exceed 25% of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the fees).

**J. Limit on Contractor Fees, Profit, Overhead and General Requirements**

1. The total contractor fees, including contractor profit, contractor overhead and general requirements, shall not exceed 14% of total site work costs plus cost of accessory buildings plus either new building hard costs or rehabilitation hard costs, as determined by THDA, broken down as follows:

Fee Description	Fee Amount
Contractor Profit	<=6 percent
Contractor Overhead	<=2 percent
Contractor General Requirements (including payment and performance bonds)	<=6 percent
Total Contractor Fees	<=14 percent

2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total for (i) contractor profit, overhead, and general requirements; (ii) developer fees; and (iii) consultant fees that may be included in the determination of the amount of Housing Credit for a particular development cannot exceed 15% of THDA determined eligible basis on that portion of the development attributable to acquisition (before the addition of the fees), and cannot exceed 25% of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the fees).



**K. Applying Limits**

In applying the limits specified in this QAP, THDA will consider, without limitation, the physical location of developments; the relationships among owners, developers, contractors, consultants, management agents, other development participants, and Related Parties; the structure of financing; and any other information which THDA, in its sole discretion, may deem necessary.



## **Section 4: THOMAS and Application Submission**

### **A. Applications**

1. All applications involving Housing Credit, including Initial Applications, must be submitted electronically through THOMAS. If THDA determines that THOMAS malfunctions in a way that renders applicants unable to submit applications on-line, THDA will provide alternative instructions via e-mail BLASTS and THDA website postings. THDA reserves the right to identify in-progress applications and extend application deadlines to meet THOMAS's operational capacities.
2. All fees must be received by THDA via a wire transfer in the amounts and by the deadlines specified in Section 5 of this QAP. An application is not complete unless and until the required fee is received by THDA.

### **B. Supporting Documents**

1. Supporting documents required as part of an Initial Application or subsequent application must be uploaded into THOMAS as specified in the THOMAS User Manual.
2. The THOMAS Documents Page contains Forms and Templates for required third party reports.
3. THDA will not accept cost certifications, market studies, physical needs assessments and/or appraisals prepared by parties connected with any person or entity involved with the Development Team or Related Parties, as determined by THDA, in its sole discretion.

### **C. Competitive Housing Credit Calendar of Events**

The calendar of events applicable to this QAP is as shown below. These dates are subject to change at THDA's sole discretion.

A full calendar will also be published on the THOMAS Documents Page.

Table 4-1: Calendar of Events	
Dates	2021 Competitive Cycle
January 5, 2021	2021 Competitive Cycle Opens for Initial Applications
March 3, 2021	2021 Competitive Cycle Deadline for Initial Applications



## Section 5: Program Fees

### A. Effective Date

The fee schedule reflected below shall be in effect as of January 1, 2021.

### B. Wiring instructions

**All fees must be paid via an electronic wire.**

Table 5-1: Wiring Instructions Format	
Bank:	US Bank
ABA:	064000059
BNF:	THDA Clearing Housing
BNF A/C:	151203673398
BNF ADDRESS:	502 Deaderick Street Andrew Jackson Building, Third Floor Nashville, TN 37243
OBI:	Housing Credit/Bond Application Fees + TN ID Number(s). Applicants may send one wire to cover multiple applications however, applicants must enter the applicable TN ID Number(s) in the OBI field on the wire.

Applicants are required to send the wire confirmation to [thomas@thda.org](mailto:thomas@thda.org).



**C. Fee Schedule**

The following fees shall apply:

Table 5–2: Fee Schedule			
Fee Type		Amount	Due
<b>Initial Application Fee</b>			
	1 – 4 Units	\$395	When Initial Application is submitted
	5 – 50 Units	\$1,595	
	51 – 100 Units	\$2,210	
	101 + Units	\$40 per unit	
<b>Reservation Fee</b>			
	Determined at 6.25 percent of the total amount of competitive Housing Credit approved by THDA	Calculated by THDA	When Reservation Notice is accepted
<b>42(m) Letter Fee</b>			
	Determined at 6.25 percent of the total amount of noncompetitive Housing Credit requested by the applicant	Calculated by THDA	When Initial Application is submitted
<b>Modification Fee</b>			
	Equal to the greater of \$750 or 0.625 percent of the annual Housing Credit specified in the Reservation Notice	Calculated by THDA	When Request is made
<b>Deadline Extension Fee</b>			
	1 – 5 days	\$500	When Request is made
	6 – 30 days	\$200 per day	
	Over 30 days	\$6,000	
<b>8609 Amendment Fee</b>		\$50 per form \$250 minimum	When Request is made
<b>Monitoring Fee</b>		\$600 per Low Income unit	When Final Application is submitted
<b>Income Averaging Monitoring Fee</b>		\$1,200 per Housing Credit unit	When Final Application is submitted
<b>Compliance Re–inspection Fee</b>		\$200 per unit	When Request is made
<b>Owner’s Annual Certification Extension Fee (max 30 days)</b>		\$250	Prior to submission deadline
<b>Owner’s Annual Certification Late Fee</b>		\$500 per month	Upon submission of Owner’s Annual Certification
<b>Utility Allowance Estimate Fees</b>			
	Utility Company Estimate Methodology	\$10 per unit per review	When Request is made
	Energy Consumption Model Methodology	\$250 per review	
	Agency Estimate	\$150 per review	



## **Section 6: Development Team Members and Eligibility Thresholds**

THDA prefers Development Teams that have successful experience in Tennessee with the THDA Housing Credit program. Such experience is evidenced by successful construction, rehabilitation and placing in service of a recent Housing Credit development, maintaining a good track record in the on-going operations of the Housing Credit development, and providing the capacity to sustain the Housing Credit development in the ever changing regulatory and rental market. Consequently, an Initial Application for Housing Credit is ineligible under this QAP when any member of the Development Team or any individual who is identified in the Initial Application as a member of the Development Team have, with respect to any prior Housing Credit development, incurred and failed to cure any and all major SAE(s) that have been identified since January 1, 2015 or are otherwise ineligible based on any other event listed under Other Ineligibility (below) as of the Initial Application date.

### **A. Major SAEs**

Major SAEs include, without limitation:

1. The general partner/managing member/sole stockholder being removed from the ownership entity of a prior Housing Credit development
2. Receiving THDA approval for a site change, except when THDA determines, in its sole discretion, that the site change was necessitated by circumstances beyond the applicant's anticipation or control;
3. An uncured event of default under the Section 1602 or Tax Credit Assistance Program;
4. A Fair Housing Act violation, including those involving a finding of discrimination by an adverse final decision from a federal court or a complaint that results in a consent decree or a judgement enforcing the terms of a consent decree;
5. A foreclosure involving the loss of units from the affordable housing stock or failure to notify THDA of foreclosure (including a deed in lieu of foreclosure transaction);
6. Submitting to the IRS an IRS Form 8609 that was not created by THDA in an effort to claim Housing Credit or submitting to the IRS an IRS Form 8609 which has been altered or contains information inconsistent with the IRS Form 8609 created by THDA in an effort to claim Housing Credit;
7. Failure to meet the federal placed in service deadline for a development that received Competitive or Noncompetitive Housing Credit; or
8. A Housing Credit development being placed in "No Further Monitoring" status by THDA.

### **B. Other Ineligibility**

Housing Credit applications are ineligible if any of the following apply:

1. Any individual involved in the Initial Application has any one of the following:
  - a. A felony conviction of any type within the last ten (10) years; or
  - b. A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any federal agency; or
  - c. A current bankruptcy or a bankruptcy discharged within the last four (4) years or any organization or entity in which the individual had significant control currently is in bankruptcy or had a bankruptcy discharged within the last four (4) years; or
  - d. Individual bankruptcy of a member of the board of directors of an entity that is, or is wholly controlled by, a government entity will not be grounds for ineligibility provided that the individual certifies that he/she will not have substantial decision-making authority with regard to the proposed development; or
  - e. Any suspensions of required state licenses (Tennessee or any other state) within the last ten (10) years.



2. An individual who is a member of the Development Team identified in the Initial Application and who is involved with another Housing Credit development in Tennessee that has initiated the Qualified Contract or is currently in the Qualified Contract Process; prior to the expiration of the one year term, for another Housing Credit development in Tennessee.
3. An individual who is a member of the Development Team identified in the Initial Application and who is involved with a pre-2021 Housing Credit development with a first allocation of Competitive Housing Credit in Tennessee; prior to THDA issuing IRS Form(s) 8609 for that development.
4. An individual who is a member of currently involved with the Development Team identified in the Initial Application and that individual was involved in an application that received a commitment of MTBA during 2020, but failed bonds were not issued and sold by the expiration date (original or extended) of the MTBA Firm Commitment Letter and the MTBA Firm Commitment Letter was not released as described in Section 10-H of the 2021 MTBA Program Description.
5. If any of the following are true regarding an individual who is a member of the Development Team identified in the Initial Application for any development receiving an allocation of Housing Credit after December 31, 2012:
  - a. They were involved in a pre-2021 Housing Credit development with an accepted Reservation Notice, but the proposed Housing Credit development failed to meet the federal allocation timeframes and did not obtain a Carryover Allocation Agreement ; or
  - b. They were involved in a pre-2021 Housing Credit development with a fully executed Carryover Allocation Agreement, but the proposed Housing Credit development failed to meet the federal allocation timeframes and did not obtain IRS Form(s) 8609; or
  - c. They were involved in a pre-2021 Housing Credit development for which THDA issued IRS Form(s) 8609, but the Housing Credit development failed to meet the minimum set-aside test for low-income tenants as specified in the LURC by the end of the first year of the Credit Period; or
  - d. They were involved in a pre-2021 Housing Credit development that THDA determined to be in violation of the requirements of the applicable QAP regarding developer or related party issues; or
  - e. They were involved in a pre-2021 Housing Credit development that involved a “broker” who did not remain involved in the Initial Application through the closing of permanent financing for the Housing Credit development; or
  - f. They were involved in a pre-2021 Housing Credit development that did not meet the requirements of the applicable QAP regarding submission of permanent financing documentation to THDA; or
  - g. They were involved in a pre-2021 Housing Credit development that involved a “consultant” who was determined to be a signatory of construction financing, permanent financing or equity syndications documents or provided a guaranty in connection with construction financing, permanent financing or equity syndication; or
  - h. They were involved in a pre-2021 MTBA Application that received a firm commitment of bond authority but failed to meet the established deadline for issuance and sale of the bonds. Voluntary withdrawal of a Multifamily Tax Exempt Bond Authority Application in accordance with all applicable program requirements will not cause ineligibility; or
  - i. The application is deemed ineligible pursuant to any other provisions of this QAP.





### C. Requests for Relief

Prohibition of an individual's participation in programs administered by THDA shall be determined by THDA, in its sole discretion. Any individual prohibited due to a Major SAE may appeal a determination to the THDA Executive Director and the THDA Board Chair. The determination of prohibition shall be at the sole discretion of the THDA Executive Director and the THDA Board Chair and shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.

### D. Minor SAEs

Minor SAEs are events that, cumulatively, may affect the eligibility of an Initial Application. Multiple Minor SAEs indicate consistent problems and poor performance in Housing Credit developments in which members of the Development Team are involved. Effective January 1, 2019, THDA will track Minor SAEs as they occur in the development and ongoing operations of Housing Credit developments by Development Team and by individuals identified as members of the relevant Development Team.

As THDA becomes aware of Minor SAEs, THDA will notify the Development Team. The Minor SAE(s) reflected in the notice may or may not be curable. A **curable** Minor SAE(s) reflected in an Evaluation Notice may impact Initial Application scoring for a period of time beginning with the effective date of the notice and ending **the later of**: (i) two years or five years after the effective date of the notice (as applicable) or (ii) when the Minor SAE is cured. An **incurable** Minor SAE(s) reflected in a notice may impact Initial Application scoring for a period of time beginning with the effective date of the notice and ending two years or five years after the effective date of the notice (as applicable).

The cumulative total of Minor SAEs will determine the Development Team Track Record points.

Minor SAEs include, without limitation, any of the following that occur with respect to any Housing Credit development in Tennessee:

1. Curable Minor SAEs are as follows: The **curable** Minor SAE(s) in this Section 6-D-1 may impact Initial Application Scoring for a period of time beginning with the effective date in the notice and ending **the later of** two years later, or when the Minor SAE is cured. The **incurable** Minor SAE(s) in this Section 6-D-1 may impact Initial Application Scoring for a period of time beginning with the effective date in the notice and ending two years later.
  - a. Requesting any deadline extension;
  - b. Requesting any development modification;
  - c. Failing to maintain a positive history of payment to subcontractors during the construction of any Housing Credit development;
  - d. Having significant unpaid payables;
  - e. Defaulting on loan payments or having arrearages of at least three months on any loan for any Housing Credit development;
  - f. Failing to utilize all listed funding sources in the amount or under the terms described in the Initial Application until any Housing Credit development is placed in service, unless THDA has been advised of the change in funding source and agreed to the change;
  - g. Failing to maintain and operate amenities and services specified in the Initial Application throughout the term of the LURC;
  - h. Failing to convert construction loan financing to permanent loan financing within 6 months of THDA issuance of IRS Form 8609; or



- i. Making changes to the Housing Credit development ownership entity without THDA approval.
  - j. Failing to respond to written requests from THDA for information and/or documentation by the prescribed deadline in any such written request.
2. The **curable** Minor SAE(s) in this Section 6-D-2 may impact Initial Application Scoring for a period of time beginning with the effective date in the notice and ending **the later of** five years later, or when the Minor SAE is cured. The **incurable** Minor SAE(s) in this Section 6-D-2 may impact Initial Application Scoring for a period of time beginning with the effective date in the notice and ending five years later
- a. Requesting an exchange of Housing Credits;
  - b. Demonstrating a pattern of repeated UPCS findings;
  - c. Failing to fulfill commitments made in any application, including without limitation those for scoring points in the Initial Application (except for changes approved by THDA, in its sole discretion);
  - d. Failing to correct outstanding noncompliance issues within the applicable correction period;
  - e. Misrepresentation of any item in an application, as determined by THDA in its sole discretion.



## **Section 7: Non-Profit Set-Aside**

To be eligible for Housing Credit from the Non-Profit Set-Aside, an Initial Application must contain information satisfactory to THDA demonstrating that the ownership entity for the development proposed in the Initial Application involves a Qualified Nonprofit Organization. An Initial Application must meet all requirements in this QAP for an eligible Initial Application, and be subject to all applicable limits.

To be a Qualified Nonprofit Organization, ALL of the following requirements must be met:

- A. The organization must be a *bona fide* non-profit organization, as evidenced by the following:
  - 1. The organization must be an entity that is described in Section 501(c)(3) or (4) of the Code that is exempt from tax under Section 501(a) of the Code;
  - 2. The organization must be organized and existing in the State of Tennessee or if not organized and existing in Tennessee, then the organization must be organized and existing in another state and must be qualified to do business in Tennessee;
  - 3. The organization must: (i) not be formed by one or more individuals or for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside; (ii) not be controlled by a for-profit organization; and (iii) not have any staff member, officer or member of the board of directors who will materially participate, directly or indirectly, in the proposed development as or through a for-profit entity; and
  - 4. The organization must be engaged in the business of developing **AND** building low-income rental housing in Tennessee and must have been so engaged on or after January 1, 2016.
- B. The organization must, prior to the reservation of Housing Credit: (i) own all of the general partnership interests of the ownership entity of the development; or (ii) own, alone or with other Qualified Nonprofit Organizations that meet all of the requirements of this Section, 100 percent of the stock of a corporate ownership entity of the development; or (iii) own, alone or with other Qualified Nonprofit Organizations that meet all of the requirements of this Section, 100 percent of the stock, 100 percent of the partnership interests, or 100 percent of the membership interests of an entity that is the sole general partner or sole managing member of the ownership entity of the development proposed in the Initial Application;
- C. The Qualified Nonprofit Organization must materially participate (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the extended-use period.
- D. Initial Applications eligible for the PHA Set-Aside, including Initial Applications involving a Qualified Nonprofit Organization that is wholly controlled by a PHA, are ineligible for the Non-Profit Set-Aside.



- E. To demonstrate eligibility, ALL of the following must be submitted in THOMAS as part of the Initial Application:
  - 1. A copy of the IRS determination letter clearly stating the organization’s status as a501(c)(3) or 501(c)(4) entity; and
  - 2. Certificate of Existence
    - a. If organized and existing under the laws of the State of Tennessee, a certificate of existence from the Tennessee Secretary of State’s Office dated not more than thirty (30) days prior to the date of the Initial Application.
    - b. If organized and existing under the laws of another state, a certificate of existence from the secretary of state of the state in which the organization was organized and is existing, together with other documentation from such secretary of state indicating that the organization is in good standing under such laws and a certificate of authorization from the Tennessee Secretary of State indicating that the organization is qualified to do business in Tennessee, all dated not more than thirty (30) days prior to the date of the Initial Application; and
  - 3. An executed Certificate Regarding Qualification for the Non–Profit Set Aside, the form of which is located on the THOMAS Documents Page.
- F. Eligible initial Applications that include a Qualified Nonprofit Organization and receive Housing Credit outside of the Non-Profit Set-Aside will not be held to the requirements of the Non-Profit Set-Aside and will not be counted as including a Qualified Nonprofit Organization for purposes of meeting Section 42 requirements.



## **Section 8: CNI Grants**

To be eligible for Housing Credit when an Initial Application involves a CNI Grant, an Initial Application must contain information demonstrating that the development proposed in the Initial Application involves a qualified PHA that has entered into a CNI Grant agreement with HUD. An Initial Application must meet all requirements in this QAP for an eligible Initial Application, and be subject to all applicable limits.

- A. To be a qualified PHA, all of the following requirements must be met:
  - 1. The PHA must materially participate (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the Compliance Period; and
  - 2. The PHA must be acting solely within the geographic area of its jurisdiction; and
  - 3. The PHA must have a fully executed CNI grant agreement and submit a copy of the CNI grant agreement in THOMAS as part of an Initial Application; and
  - 4. The PHA must submit an executed Letter from PHA Executive Director Regarding the Choice Neighborhoods Initiative (CNI) Implementation Grant, the form of which is found on the THOMAS Documents Page.
- B. Only one CNI development per county may receive Housing Credit.
- C. Proposed CNI developments involving new construction may be located in a QCT.
- D. CNI developments that receive Housing Credit may also receive a Basis Boost.



## **Section 9: PHA Set-Aside**

To be eligible for the PHA Set-Aside, an Initial Application must contain information demonstrating that the development proposed in the Initial Application involves a qualified PHA. An Initial Application must meet all requirements in this QAP for an eligible Initial Application, and be subject to all applicable limits.

- A. To be considered a qualified PHA, the following requirements must be met in connection with an Initial Application:
  - 1. The PHA must materially participate (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the term of the LURC; and
  - 2. The PHA must be acting solely within the geographic area of its jurisdiction; and
  - 3. The PHA must submit an executed Certificate Regarding Qualification for the Public Housing Set Aside, the form of which is found on the THOMAS Documents Page.
  
- B. Awards from the PHA Set-Aside shall be made in the following order:
  - 1. Initial Application that proposes utilizing RAD in connection with a development located in a CRP, taking into account score and other limits in this QAP.
  - 2. Initial Application that proposes utilizing RAD, but the proposed development is located outside a CRP, taking into account score and other limits in this QAP.
  - 3. Initial Application that proposes a development that will be owned and operated by a PHA, but does not involve RAD and is not located in a CRP, taking into account score and other limits in this QAP.
  
- C. To be considered for the PHA RAD preference, the following requirements must be met:
  - 1. The PHA must submit the Form of Letter from PHA Executive Director Regarding the Rental Assistance Demonstration (RAD) Program (found on the THOMAS Documents Page);and
  - 2. The PHA must submit a copy of the Commitment to enter Housing Assistance Payments (CHAP).
  
- D. To be considered for PHA RAD with CRP preference, the PHA must submit a copy of the Concerted Community Revitalization Plan.
  
- E. Initial Applications proposing new construction and including RAD will not count against the applicable New Construction County Limit in Section 3-E.
  
- F. Initial Applications under the PHA Set-Aside proposing new construction may be located in a QCT.
  
- G. Initial Applications under the PHA Set-Aside (other than those under Section 9-E) are subject to the limits in Map 3-1 in Section 3-C or the limit specified in Section 9-B, as applicable.
  
- H. Initial Applications in the PHA Set-Aside may be eligible for a Basis Boost.
  
- I. An applicant must indicate whether the Initial Application is to be considered in the PHA Set-Aside or the New Construction Regional Pool or for an Existing Multifamily Housing Allocation. The Initial Application will only be considered in the category selected. No cross counting allowed.



## **Section 10: Existing Multifamily Housing Allocations**

To be eligible for an Existing Multifamily Housing Allocation, the Initial Application must propose rehabilitation (with or without acquisition) of Existing Multifamily Housing, meet all requirements in this QAP for an eligible Initial Application, and be subject to all applicable limits. Income and rent restrictions through programs such as the Housing Credit program, Multifamily Tax-Exempt Bond Authority Program, or programs administered by USDA or HUD are not required.

Following rehabilitation, 100% of the units must be subject to income and rent restrictions.

- A. All Initial Applications proposing acquisition and/or rehabilitation of an Existing Multifamily Housing development must submit an eligible Initial Application.
- B. County Limits do not apply.
- C. A development may be located in a QCT.
- D. A preference will be given to Initial Applications proposing a development covered by a CRP, taking into account score and other limits in this QAP.
- E. Initial Applications proposing developments located in a Rural Urbanicity may be eligible for a Basis Boost.



## **Section 11: New Construction Regional Pool**

To be eligible for a New Construction Regional Pool, an Initial Application must propose new construction of multifamily housing, meet all requirements in this QAP for an eligible Initial Application, and be subject to all applicable limits.

- A. Reservations from a New Construction Regional Pool will be limited to the number and type of developments as specified in Section 3–C.
- B. New Construction Regional Pool allocations are limited to 1 per county. Allocations to developments involving RAD will not count against this per county limit.
- C. An Initial Application proposing new construction in a QCT is ineligible, unless the Initial Application is for Housing Credit under CNI, the PHA Set–Aside, or is eligible for special assistance as described in Section 20 of this QAP.
- D. An Initial Application proposing new construction located in a Rural Urbanicity may be eligible for a Basis Boost.





## **Section 12: Threshold and Minimum Construction and Rehabilitation Requirements**

### **A. Threshold Requirements**

To be eligible, Initial Applications for new construction or rehabilitation (with or without acquisition) must meet all of the following requirements, as determined by THDA, in its sole discretion:

1. Achieve a minimum score as specified in Section 13 of this QAP, as determined by THDA, in its sole discretion.
2. Propose an eligible development that meets all of the following requirements:
  - a. Be a qualified low-income housing development, containing qualified low-income buildings and low-income units.
  - b. Comply with the Fair Housing Act, as applicable.
  - c. Comply with the Fair Housing Act design and construction requirements for units that are considered “covered multifamily dwellings” designed and constructed “for first occupancy” after March 13, 1991, using one of HUD’s recognized safe harbors.
  - d. Comply with the Americans with Disabilities Act (ADA), as applicable,
  - e. Comply with all applicable local building codes or State adopted building codes in the absence of local building codes.
3. Include documentation in the Initial Application from the relevant local jurisdiction verifying availability of electricity, water, sewer, and, if applicable, natural gas.
4. Include a 30-year pro-forma for the proposed development in the Initial application.
5. Include one of the following minimum set-aside elections in the Initial Application, except for an Initial Application that proposes rehabilitation of a prior Housing Credit development:
  - a. The 20/50 Test; or
  - b. The 40/60 Test; or
  - c. The 60 Percent Income Averaging Test.

An Initial Application that proposes rehabilitation of a prior Housing Credit development, must elect the minimum set-aside elected in the Initial Application for the prior Housing Credit development.

6. Include acceptable property control for the property on which the proposed development will be located. Forms of acceptable property control documentation are included in the THOMAS User Manual.
7. Include an acceptable Market Study performed and prepared by an independent third party in accordance with the Market Study Guidelines included on the THOMAS Documents Page.
8. Include an acceptable Appraisal of the land and building performed and prepared by an independent third party in accordance with the Appraisal Guidelines included on the THOMAS Documents Page.
9. Include an executed Statement of Application and Certification in the form shown on the Template provided in THOMAS and in accordance with Guidelines on the THOMAS Documents Page.
10. Include an executed Certificate Regarding Eligibility for Low-Income Housing Credit in the form shown on the Template provided in THOMAS and in accordance with the Guidelines on the THOMAS Documents Page.
11. Include a Certificate Regarding Acquisition Housing Credit (if Acquisition Housing Credit is requested) in the form shown on the Template provided in THOMAS and in accordance with Guidelines on the THOMAS Documents Page.



12. Include all required Disclosure Forms in the form shown on the Template provided in THOMAS and in accordance with Guidelines on the THOMAS Documents Page.
13. Demonstrate that all units in the proposed development, once constructed, will include all of the following energy efficiency features:
  - a. In all units, at least one high efficiency or dual flush toilet and all faucets, shower heads and toilets EPA “Watersense” rated.
  - b. New ENERGY STAR rated frost free refrigerator (14 cubic foot minimum) with ice maker.
  - c. All faucets are EPA “Watersense” rated.
  - d. All light fixtures in units and common areas are fitted with ENERGY STAR rated light bulbs, compact fluorescent or LED.
  - e. HVAC systems, including the air handler and line sets, are rated at 14 SEER and properly sized for the units in all buildings with fewer than six stories.
  - f. For buildings with six stories or more, all PTAC systems are rated between 9.6 and 12.0 EER.
  - g. Electronic programmable temperature control thermostats.
  - h. All entry doors are metal-clad wood, fiberglass, or hollow metal construction exterior doors that are insulated, paneled and have a peephole with a minimum R-11 rating in all units. If an entry door is glass and is the only natural light for a unit, the glass door has a U-Factor rating in accordance with the applicable state adopted International Energy Conservation Code (IECC) and is comparable to the R-11 rating.
  - i. All windows are replaced with double glazed, insulated energy efficient windows.
  - j. Attic insulation with an R-30 minimum value.

**B. New Construction Minimum Construction Requirements**

Initial Applications that propose new construction must meet all of the following requirements:

1. Compliance with all Threshold Requirements
2. Current zoning and other local land use regulations permit the proposed development. Written documentation is required from the appropriate local governmental authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development.
3. All newly constructed single family units, duplexes, and triplexes, must meet the following visitability requirements:
  - a. Easy Access with a step-free entrance of not more than ½ inch from a driveway, sidewalk or other firm surface into the main floor of the home, and;
  - b. Easy Passage throughout the home with an exterior door that provides a minimum of 32 inches of clear passage (36 inches is preferable) from the step free entrance. All interior passage doorways on the main floor also provide a minimum of 32 inches of clear passage, and;
  - c. Easy Use with a main floor that includes a kitchen, some entertainment area, at least one bedroom and one full bathroom. The full bathroom will provide at least 30 inches by 48 inches of maneuvering space that allows easy access to the sink commode and shower or tub.
4. All retention and/or detention ponds must be fenced.
5. Development sign at the entrance(s) to the complex that includes the Fair Housing Logo.
6. Roofing materials must be anti-fungal with a minimum 25-year warranty.



### **C. Existing Multifamily Housing Minimum Rehabilitation Requirements**

The Initial Application must include a Physical Needs Assessment of the Existing Multifamily Housing indicating proposed rehabilitation activities. The Physical Needs Assessment must be performed and prepared by an independent third party in accordance with the Physical Needs Assessment Guidelines on the THOMAS Documents Page.

Initial Applications that propose rehabilitation must demonstrate that the rehabilitation, when completed, will meet the following requirements:

1. Compliance with all Threshold Requirements.
2. Minimum rehabilitation costs equal to the greater of the per door costs in the Physical Needs Assessment or \$25,000.
3. The replacement of any component of the building or site with a remaining useful life of less than 15 years, as specified in the Fannie Mae Expected Useful Life Table, which is incorporated in this QAP by reference.
4. Corrective actions for all deficiencies noted in the Physical Needs Assessment.
5. Substantially the same scope of work in all units including painting of the entire unit (all rooms and ceilings), flooring consistent throughout the development, and matching cabinetry within each unit.
6. If roofs are to be replaced, roofing materials must be anti-fungal with a minimum 25-year warranty.
7. Replace and install new water supply fixtures and valves.
8. Replace all window blinds and exterior window screens.
9. Replace all damaged and worn interior doors, jams, frames, and hardware.
10. For developments with existing exterior wooden stair systems, the existing exterior wooden stair systems must be replaced in their entirety with new steel or concrete exterior stair systems unless the Physical Needs Assessment clearly states that the existing exterior wooden stair systems have a remaining useful life of at least 10 years.
11. Replace all exteriors that are 90 percent vinyl with an estimated useful life of 15 years or less, as shown in the Physical Needs Assessment, with brick/stone veneer, stucco or fiber cement and/or hardiplank.

### **D. Multifamily Tax-Exempt Bond Authority and Noncompetitive Housing Credit Rehabilitation Requirements**

Initial Applications proposing rehabilitation of Existing Multifamily Housing must present a scope of work that meets the following:

1. Compliance with all Threshold Requirements.
2. The replacement of any component of the building or site with a Remaining Useful Life of less than 15 years, as specified in the Fannie Mae Expected Useful Life Table, which is incorporated in this QAP by reference.
3. Substantially the same scope of work in all units including painting of the entire unit (all rooms and ceilings), flooring consistent throughout development, and matching cabinetry within each unit.
4. If roofs are to be replaced, roofing materials must be anti-fungal with a minimum 25-year warranty.
5. For developments with existing exterior wooden stair systems, the existing exterior wooden stair systems must be replaced in their entirety with new steel or concrete exterior stair systems unless the Physical Needs Assessment clearly states that the existing exterior wooden stair systems have a remaining useful life of at least 10 years.



6. Replace all exteriors that are 90% vinyl with an estimated useful life of 15 years or less, as shown in the Physical Needs Assessment, with brick/stone veneer, stucco or fiber cement and/or hardiplank.



**Section 13: Initial Application Scoring**

**A. Applications Proposing New Construction Only:**

The scoring criteria in this section are not intended to allow an applicant to claim the maximum 100 points. An eligible Initial Application must have a minimum score of **65 points** to be eligible. THDA will determine the score during the scoring review process.

**1. Project Location:**

*up to 20 points*

Applications proposing developments located in counties with the greatest rental housing need (County Need Score) (see link on the THOMAS Documents Page).

**2. Meeting Housing Needs:**

*up to 5 points*

a. Applications in which the 40/60 Test is elected will serve a percentage of households with incomes no higher than 50% of the area median income with rents maintained at or below the 50% area median income maximums. Applications in which the 20/50 Test is elected will serve a percentage of households with incomes no higher than 40% of the area median income with rents maintained at or below the 40% area median income maximums. Units to be occupied by households with a Section 8 Housing Choice Voucher count towards this requirement. Applications in which the 60 Percent Income Averaging Test is elected are ineligible for these points.

Table 13–1: Units Restricted to Serve Lower Income Populations	
Percentage of Units Restricted (rounded up to next whole unit number)	Points Available
<b>20/50 Test serving 40 percent households</b>	
At least 5 percent	1
At least 10 percent	2
At least 15 percent	4
At least 20 percent	5
<b>40/60 Test serving 50 percent households</b>	
At least 5 percent	1
At least 10 percent	2
At least 15 percent	4
At least 20 percent	5



**3. Development Characteristics:**

**up to 17 points**

- a. Exterior materials: Choose 1
- (i) Brick/stone veneer or stucco, minimum 60% and remaining exterior fiber cement and/or hardiplank: **4 points**

OR

  - (ii) Brick/stone veneer or stucco, minimum 50% and remaining exterior fiber cement and/or hardiplank: **3 points**

OR

  - (iii) Brick/stone veneer or stucco, minimum 40% and remaining exterior fiber cement and/or hardiplank: **2 points**
- b. Use of anti-fungal roofing materials with a minimum 30 year warranty: **2 points**
- c. Installation of hookups for standard size washers/dryers in all units (hookups for stackable washer/dryers to not count): **3 points**
- d. Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage. This option not available to applicants claiming points under Serving Resident Populations with Special Housing Needs: **2 points**
- e. Provide a minimum 1,200 square foot community building accessible to residents during reasonable hours; including evenings, holidays and weekends. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry room and storage/maintenance rooms will not be counted as part of the 1,200 square foot minimum: **6 points**
- f. All units pre-wired, with hidden wiring, for high speed Internet hookup with at least 1 centrally located connection port or if not wired, then a wireless computer network: **2 points**
- g. All units pre-wired, with hidden wiring, for high speed Internet hook-up with at least 1 centrally located connection port and connection ports in all bedrooms or if not wired, a wireless computer network: **3 points**
- h. Installation of a Range Oven, Fire Stop, Auto Stop or comparable extinguishing system over the stove in each unit: **6 points**
- i. Installation and maintenance of a camera video security system with at least one (1) camera monitoring each of the following areas: front of each building, back of each building, community room, computer center, rental office, all site entrance/exit roadways and parking areas: **2 points**
- j. Construction and maintenance of a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid-point of the trail. Sidewalks are not eligible for these points: **2 points**



- k. Construction and maintenance of perimeter fencing extending around all sides of the development site, except at development entrances. Chain link fencing is not eligible for these points: **2 points**
  - l. Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet; that must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage. This option not available to applicants claiming points under Serving Resident Populations with Special Housing Needs.: **2 points**
  - m. Construct and/or rehabilitate a veranda that must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10% of the units at the development and be available to all residents for year round usage. This option not available to applicants claiming points under Serving Resident Populations with Special Housing Needs: **2 points**
  - n. Construct and/or rehabilitate a picnic shelter that must be covered, with permanent table and bench seating and in an appropriate location available to all residents for year round usage: **2 points**
  - o. The proposed development exclusively involves a structure or structures listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the U. S. Department of the Interior as being of historical significance to the district. All proposed construction and/or rehabilitation shall be completed in such a manner as to be eligible for historic rehabilitation Housing Credit. Applications seeking to combine historic nature and adaptive reuse will be treated as new construction. **2 points**
- 4. Sponsor Characteristics: up to 7 points**
- a. Development Team Tennessee Housing Credit Experience **up to 2 points**  
To reward recent Housing Credit experience in Tennessee, developers associated with the Development Team listed in THOMAS for this Initial Application **MUST** have received an allocation of Housing Credit previously in Tennessee as evidenced by THDA’s issuance of IRS Form(s) 8609 for that development. The applicant must identify the most recent Tennessee Housing Credit allocation received. PHAs are eligible shall receive two points.

Table 13–2: Development Team Prior Tennessee Allocations	
Year of Most Recent Allocation	Points Available
2016–2020	2
2015 and before	1
No Tennessee Experience	0



- b. Development Team Track Record: *up to 5 points*  
 Individuals identified as members of the proposed Development Team in the Initial Application will be awarded points as shown in Table 13–3 below. Minor SAEs will be attributed to all individuals identified as members of the proposed Development Team. Minor SAE recording began on January 1, 2019.

Table 13–3: Development Team Track Record	
Cumulative Minor SAEs	Points Available
55+	0
35 to 54	1
15 to 34	2.5
0 to 14	5

- 5. Serving Resident Populations with Special Housing Needs:** *5 points*
- Initial Applications electing these points shall provide a residency preference for households with Special Housing Needs. A development shall contain dedicated space with appropriate furniture and fixtures for, and agreements with, providers of Supportive Services relevant to Special Housing Needs residents and at least one (1) of the following on-site amenities:
- Construct and/or rehabilitate an exercise facility for appropriate group activity for special housing needs residents. The space must be at least 900 square feet, if indoor; or
  - Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; that must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage; or
  - Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet; that must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage; or
  - Construct and/or rehabilitate a veranda that must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10 percent of the units at the development and be available to all residents for year round usage; or
  - Construct and/or rehabilitate a picnic shelter that must be covered, with permanent table and bench seating, be and in an appropriate location available to all residents for year round usage; or
  - Provide in the proposed development’s community room or computer center, updated computer systems equipped with high speed Internet service, which include **new** computers, **new** printers and **new** scanners purchased no earlier than 12 months prior to the placed in service date. Receipts for purchase of **new** computers, **new** printers, and **new** scanners purchased no more than 12 months prior to the placed in service date will be required prior to issuance of IRS Form(s) 8609. The computers should be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on-going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.
  - Points may be taken for Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, but not both.





**6. Public Housing Waiting List:**

**3 points**

Initial Applications electing these points must indicate priority for persons/households on current Public Housing waiting lists. This priority must be clearly documented in marketing plans, lease-up plans, and operating policies and procedures and provided with the Final Application. Initial Applications proposing developments in the counties listed in THOMAS as having a Public Housing waiting list are eligible for these points.

**7. Serving Resident Populations with Children:**

**5 points**

Initial Applications electing these points must indicate a residency preference to households with children and must construct and/or rehabilitate the number of three (3) bedroom units that equals or exceeds a minimum of 20% of the total number of units in the development rounded up to the nearest whole unit.

The proposed development must include (i) a playground with permanent playground equipment of commercial grade quality with a minimum of four separate pieces of equipment or a structure that encompasses a minimum of four pieces of equipment AND (ii) at least one (1) of the following on-site amenities:

- a. Construct and/or rehabilitate an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of after-school tutoring or homework help programs. The space must be available to residents during regular office hours and occasionally during the evenings and weekends; or
- b. Construct and/or rehabilitate a sport field or court (basketball, tennis, baseball, field hockey, soccer, football, etc.) that incorporates permanent fixtures and a minimum of 1,600 square feet of concrete, artificial grass or paved surface, whichever is appropriate for the sport and is separate from all parking areas. The field or court must be available to all residents for year round use; or
- c. Provide in the proposed development's community room or computer center, updated computer systems equipped with high speed Internet service, which include **new** computers, **new** printers and **new** scanners purchased no earlier than 12 months prior to the placed in service date. Receipts for purchase of **new** computers, **new** printers, and **new** scanners purchased dated no more than 12 months prior to the placed in service date will be required prior to issuance of IRS Form(s) 8609. The computers must be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on-going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.
- d. Points may be taken for Serving Resident Populations with Children or Serving Resident Populations with Special Housing Needs, but not both.

**8. Development Intended for Eventual Resident Ownership:**

**3 points**

Applicants offering qualified residents the right of first refusal to purchase single family Housing Credit buildings at the end of the fifteen-year Compliance Period shall include, in the Initial Application, a detailed plan specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the Compliance Period to provide sufficient funds to the resident at the end of the Compliance Period for the down payment and closing costs to purchase the unit. The plan shall be required to be updated and re-submitted to THDA at the end of year thirteen (13) of the Compliance Period. The LURC will contain provisions ensuring



enforcement of this provision. If these points are elected, an Initial Application is **not eligible for points in Section 13–A–11 and Section 13–A–12.**

**9. Energy Efficiency:** *10 points*

Applications proposing the following ENERGY STAR characteristics: *10 points*

- a. ENERGY STAR rated HVAC systems (15 SEER minimum) in all units; and
- b. ENERGY STAR refrigerator (19 cubic foot minimum) with ice maker; and
- c. Overhead light fixture connected to a wall switch in the living room and all overhead light fixtures in other rooms connected to a wall switch in the same room; and
- d. All light fixtures fitted with ENERGY STAR light bulbs; and
- e. ENERGY STAR rated windows in all units; and
- f. All toilets high efficiency or dual flush.

These Energy Star requirements, if elected, must be met development wide when the development is placed in service.

**10. Tennessee Growth Policy Act:** *5 points*

Initial Applications with proposed developments located completely and wholly in a county or municipality with an approved growth plan under the Tennessee Growth Policy Act.

**11. Deferral of the Qualified Contract Process:** *up to 10 points*

Applications waiving or deferring the ability to participate in the QCP. The LURC will contain provisions ensuring enforcement of this provision. An Initial Application is **not eligible for these points if points are elected in Section 13–A–8.**

Table 13–4: Deferral of the Qualified Contract Process	
Number of Years Deferred	Points Available
5 (i.e. eligible for QCP after year 20 from placed in service)	4
10 (i.e. eligible for QCP after year 25 from placed in service)	7
Waive participation in the QCP	10



**12. Extended Recapitalization Waiver:**

*up to 10 points*

Applicants may defer the point when recapitalization of the proposed development, through a subsequent allocation of Housing Credit under the competitive or noncompetitive process, may be requested. Points are based on the number of years from the date the last building in the development placed in service. Applicants claiming these points shall submit audited annual financial statements to THDA for 15 years, beginning with the Placed In Service year. Audited annual financial statements for each year must be submitted within six (6) months of the close of the fiscal year for the development. An Initial Application is **not eligible for these points if points are elected in Section 13-A-8.**

Years From Date Last Building Placed in Service	Points Available
17	2
18	4
19	8
20	10



**B. Applications Proposing Rehabilitation of Existing Multifamily Housing:**

The scoring criteria in this section are not intended to allow an applicant to claim the maximum 100 points. An eligible Initial Application must provide a minimum score of **60 points** which will be confirmed during the scoring review process.

**1. Project Location:**

*2 points*

An Initial Application proposing a development and project site wholly located within a HUD-defined QCT.

**2. Meeting Housing Needs:**

*up to 13 points*

- a. An Initial Application will be eligible for points based on the number of years since the date of the most recent placed in service event for the last building placed in service in the proposed development. The most recent placed in service date for the last building placed in service will be confirmed by THDA, in its sole discretion. *up to 4 points*

Year Last Building Placed in Service	Points Available
After 2004	0
2004 – 1997	1
1996 – 1993	2
1992 – 1990	4
Before 1990	3

- b. Initial Applications may receive these points (rounded down to the nearest 1/1,000<sup>th</sup> point) in proportion to the three (3) year average physical occupancy rate of the proposed development, rounded down to the nearest 1/1,000<sup>th</sup> percent. This three (3) year average physical occupancy rate shall be determined using both the occupied residential rental units which were charged rent as of December 1 during each of the previous three (3) years and the number of the total residential rental units determine at the last placed in service date for all the buildings in the development. Information must be certified by a CPA who shall confirm occupancy and rent information using December rent rolls for the prior three (3) years and the total number of residential rental units determined at the last placed in service date for all buildings in the development. For example, if the three (3) year average occupancy rate is 95.678%,  $0.95678 \times 3 = 2.870$  points. *up to 3 points*



- c. An Initial Application proposing “per door” rehabilitation hard costs in excess of the \$25,000 minimum will be eligible for points **up to 3 points**

Table 13–7: Proposed Rehabilitation Hard Costs per Unit	
“Per Door” Rehabilitation Amount	Points Available
Less than \$26,000	0
\$26,000 to \$30,000	2
\$30,001 to \$35,000	3
\$35,001 to \$40,000	1
\$40,001 and above	.05

- i) Initial Applications proposing to rehabilitate the highest percentage of the total of the currently existing affordable housing units in the county and the “pipeline” competitive and noncompetitive Housing Credit units in the county. Initial Applications may receive these points (rounded down to the nearest 1/1,000<sup>th</sup> point) in proportion to the ratio of post–rehabilitation Housing Credit units to the total of the currently existing affordable housing units in the county and the “pipeline” competitive and noncompetitive Housing Credit units in the county, rounded down to the nearest 1/1,000<sup>th</sup> percent. The county–by–county total of the currently existing affordable housing units in the county and the “pipeline” competitive and noncompetitive Housing Credit units in the county is available [\[HERE\]](#). For example, if the number of post–rehabilitation Housing Credit units is 88, and the total of the currently existing affordable housing units in the county and the “pipeline” competitive and noncompetitive Housing Credit units in the county is 789,  $(88/789) \times 3 = 0.333$  points. **up to 3 points**

**3. Development Characteristics:** **up to 20 points**

- a. Rehabilitating Existing Multifamily Housing in an area covered by a CRP. **5 points**
- b. Exterior materials: Choose 1
- (i) Brick/stone veneer or stucco (minimum 60%) and remaining exterior fiber cement and/or hardiplank: **4 points**
- OR
- (ii) Brick/stone veneer or stucco (minimum 50%) and remaining exterior fiber cement and/or hardiplank: **3 points**
- OR
- (iii) Brick/stone veneer or stucco (minimum 40%) and remaining exterior fiber cement and/or hardiplank: **2 points**
- c. Use of anti–fungal roofing materials with a minimum 30 year warranty: **2 points**



- d. Install hookups for standard size washers/dryers in all units (hookups for stackable washer/dryers do not count): **3 points**
- e. Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage This option not available to applicants claiming points under Serving Resident Populations with Special Housing Needs.: **2 points**
- f. Provide a minimum 1,200 square foot community building accessible to residents during reasonable hours; including evenings, holidays and weekends. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry room and storage/maintenance rooms will not be counted as part of the 1,200 square foot minimum: **6 points**
- g. Pre-wire all units with hidden wiring, for high speed Internet hookup with at least 1 centrally located connection port or if not wired, then a wireless computer network: **2 points**
- h. Pre-wire all units with hidden wiring, for high speed Internet hook-up with at least 1 centrally located connection port and connection ports in all bedrooms or if not wired, a wireless computer network: **3 points**
- i. Install a Range Oven, Fire Stop, Auto Stop or comparable extinguishing system over the stove in each unit: **6 points**
- j. Install and maintain a camera video security system with at least one (1) camera monitoring each of the following areas: front of each building, back of each building, community room, computer center, rental office, all site entrance/exit roadways and parking areas: **2 points**
- k. Construct and maintain a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid-point of the trail. Sidewalks are not eligible for these points.: **2 points**
- l. Construct and maintain perimeter fencing extending around all sides of the development site, except at development entrances. Chain link fencing is not eligible for these points: **2 points**
- m. Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet with permanent bench seating affixed and in an appropriate location available to all residents for year round usage. This option not available to applicants claiming points under Serving Resident Populations with Special Housing Needs.: **2 points**
- n. Construct and/or rehabilitate a veranda which must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10% of the units at the development and be available to all residents for year round usage. This



option not available to applicants claiming points under Serving Resident Populations with Special Housing Needs.: **2 points**

- o. Construct and/or rehabilitate a picnic shelter which must be covered, with permanent table and bench seating and in an appropriate location available to all residents for year round usage. **2 points**
- p. The proposed development exclusively involves a structure or structures listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the U. S. Department of the Interior as being of historical significance to the district. All proposed construction and/or rehabilitation shall be completed in such a manner as to be eligible for historic rehabilitation housing credit. Developments seeking to combine historic nature and adaptive reuse will be treated as new construction and are not eligible for the points in this Section 13–B–3–p. **5 points**

**4. Sponsor Characteristics:** **up to 10 points**

- a. Development Team Tennessee Housing Credit Experience **up to 2 points**  
To reward recent Housing Credit experience in Tennessee, developers associated with the Development Team listed in THOMAS for this Initial Application MUST have received an allocation of Housing Credit previously in Tennessee as evidenced by THDA’s issuance of IRS Form(s) 8609 for that development. The applicant must identify the most recent Tennessee Housing Credit allocation received. PHAs shall receive five points.

Table 13–8: Development Team Prior Tennessee Allocations	
Year of Most Recent Allocation	Points Available
2016–2020	5
2015 and before	3
No Tennessee Experience	0

AND

- b. Development Team Track Record: **up to 5 points**  
To reward proven Tennessee Development Team experience, individuals associated with the Development Team will be awarded points as shown in Table 13–9. Minor SAEs will be attributed to all individuals associated with the proposed Development Team. Minor SAE recording began on January 1, 2019.

Table 13–9: Development Team Track Record	
Cumulative Minor SAEs	Points Available
55+	0
35 to 54	1
15 to 34	2.5
0 to 14	5



**5. Serving Resident Populations with Special Housing Needs:**

**5 points**

Proposed developments that provide a residency preference for households with Special Housing Needs. A development shall contain dedicated space with appropriate furniture and fixtures for, and agreements with, providers of Supportive Services relevant to Special Housing Needs residents and at least one (1) of the following on-site amenities.

- a. Construct and/or rehabilitate an exercise facility for appropriate group activity for special housing needs residents. The space must be at least 900 square feet, if indoor; and or
- b. Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage; or
- c. Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet; which must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage; or
- d. Construct and/or rehabilitate a veranda which must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10 percent of the units at the development and be available to all residents for year round usage; or
- e. Construct and/or rehabilitate a picnic shelter which must be covered, with permanent table and bench seating and in an appropriate location available to all residents for year round usage; or
- f. Provide in the proposed development's community room or computer center updated computer systems equipped with high speed Internet service, which include **new** computers, **new** printers and **new** scanners purchased within the most recent 12 months as of the placed in service date. Receipts for purchase of **new** computers, **new** printers, and **new** scanners purchased no more than 12 months prior to the placed in service date will be required prior to issuance of IRS Form(s) 8609. The computers should be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on-going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.
- g. Points may not be taken for Serving Resident Populations with Special Housing Needs and Serving Resident Populations with Children. Applicants must choose whether to select points for Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, but not both.

**6. Public Housing Waiting List:**

**5 points**

Proposed developments that will give priority to persons/households on current Public Housing waiting lists. This priority should be clearly documented in marketing plans, lease-up plans, and operating policies and procedures and provided with the Final Application to ensure compliance. Proposed developments in the counties listed in THOMAS as having a Public Housing waiting list are eligible for these points.





**7. Serving Resident Populations with Children:**

**5 points**

Proposed developments that provide a residency preference to households with children and construct and/or rehabilitate the number of three (3) bedroom units equal to or in excess of 20% of the total units in the development rounded up to the nearest whole unit.

The proposed development shall include (i) a playground with permanent playground equipment of commercial grade quality with a minimum of four separate pieces of equipment or a structure that encompasses a minimum of four pieces of equipment AND (ii) at least one (1) of the following on-site amenities:

- a. Construct and/or rehabilitate an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of after-school tutoring or homework help programs. The space must be available to residents during regular office hours and occasionally during the evenings and weekends; or
- b. Construct and/or rehabilitate a sport field or court (basketball, tennis, baseball, field hockey, soccer, football, etc.) that incorporates permanent fixtures and a minimum of 1,600 square feet of concrete, artificial grass or paved surface, whichever is appropriate for the sport and is separate from all parking areas. The field or court must be available to all residents for year round use; or
- c. Provide in the proposed development's community room or computer center updated computer systems equipped with high speed Internet service, which include **new** computers, **new** printers and **new** scanners purchased within the most recent 12 months as of the placed in service date. Receipts for purchase of **new** computers, **new** printers, and **new** scanners purchased no more than 12 months prior to the placed in service date will be required prior to issuance of IRS Form(s) 8609. The computers should be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on-going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.
- d. Points may not be taken for Serving Resident Populations with Children and Serving Resident Populations with Special Housing Needs. Applicants must choose whether to select points for Serving Resident Populations with Children or Serving Resident Populations with Special Housing Needs, but not both.

**8. Development Intended for Eventual Resident Ownership:**

**5 points**

Applicants offering qualified residents the right of first refusal to purchase single family Housing Credit units at the end of the fifteen-year Compliance Period shall include, in the Initial Application, a detailed plan specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the Compliance Period to provide sufficient funds to the resident at the end of the Compliance Period for the down payment and closing costs to purchase the unit. The plan shall be updated and re-submitted to THDA at the end of year thirteen (13) of the Compliance Period. If these points are elected, an Initial Application is **not eligible for points in Section 13-B-11 and Section 13-B-12.**



**9. Energy Efficiency:**

**10 points**

Applications proposing that, at placed in service, all of the following Energy Star requirements will be met:

- a. ENERGY STAR rated HVAC systems in all units, 15 SEER minimum; and
- b. ENERGY STAR refrigerator with ice maker, 19 cubic foot minimum; and
- c. overhead light fixture connected to a wall switch in the living room and all overhead light fixtures in other rooms connected to a wall switch in the same room; and
- d. all light fixtures fitted with ENERGY STAR light bulbs; and
- e. ENERGY STAR rated windows in all units; and
- f. All toilets high efficiency or dual flush.

**10. Tennessee Growth Policy Act:**

**5 points**

Initial Applications with proposed developments located completely and wholly in a county or municipality with a growth plan approved by the local government planning advisory committee as determined by the Tennessee Advisory Commission on Intergovernmental Relations

**11. Deferral of the Qualified Contract Process:**

**up to 10 points**

Applications waiving or deferring the ability to participate in the QCP. The LURC will contain provisions ensuring enforcement of this provision. An Initial Application is **not eligible for these points if points are elected in Section 13-A-8.**

Table 13-10: Deferral of the Qualified Contract Process	
Number of Years Deferred	Points Available
5 (i.e. eligible for QCP after year 20 from placed in service)	4
10 (i.e. eligible for QCP after year 25 from placed in service)	7
Waive participation in the QCP	10



**12. Extended Recapitalization Waiver:**

*up to 10 points*

Applicants may defer the point when recapitalization of the proposed development, through a subsequent allocation of Housing Credit under the competitive or noncompetitive process, may be requested. Points are based on the number of years from the date the last building in the development placed in service. Applicants claiming these points shall submit audited annual financial statements to THDA for 15 years, beginning with the Placed In Service year. Audited annual financial statements for each year must be submitted within six (6) months of the close of the fiscal year for the development. An Initial Application is **not eligible for these points if points are taken in area Section 13-B-8 (Developments Intended for Eventual Resident Ownership).**

Table 13-11: Earliest Year When Recapitalization May be Requested	
Number of Years Since Placed in Service	Points Available
17	2
18	4
19	8
20	10



## **Section 14: Initial Application Eligibility and Scoring Review**

### **A. Initial Application Review Process**

1. THDA will notify each applicant when the eligibility determination and scoring of all Initial Applications is complete. THDA will send this notice to the contact person at the address specified in the Initial Application. Failure to receive any notice specified in this QAP will not extend deadlines or modify requirements. All applicants shall immediately notify THDA at thomas@thda.org of changes in the name and/or address of the contact or alternate person specified in the Initial Application. Such notification by the applicant will not be deemed to be an amendment to the Initial Application.
2. If THDA determines that an Initial Application meets all of the eligibility requirements of this QAP and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. Applicants shall not submit additional items for the purpose of increasing the score in a particular scoring category if the THDA assigned score for the Initial Application is the same as or higher than the score assigned by the applicant in the Initial Application. The provisions of the Cure Period do not apply.
3. If THDA determines that an Initial Application does not meet one or more of the eligibility requirements of this QAP or if the score assigned by THDA in any scoring category is less than the score assigned by the applicant in the Initial Application, THDA will provide a Cure Notice.
4. THDA will also provide a Cure Notice if THDA determines that (i) any two or more developments proposed in two or more Initial Applications constitute a single development for purposes of applying the development limit; or (ii) developers or Related Parties reflected in two or more Initial Applications constitute a single entity for purposes of applying the developer or related party limitation

### **B. Cure Period**

1. Applicants receiving a Cure Notice may, in compliance with the requirements of this QAP, correct erroneous items, supply missing or incomplete items and/or may clarify any inconsistencies related to the specific items identified by THDA during the cure period which shall begin on the date of the Cure Notice and shall end at the time and date specified in the Cure Notice. The Cure Notice shall specify the means and methods identified issues may be remedied. Applicants may not submit additional items for the purpose of increasing the score in a particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application.
2. If additional documentation to address items specified in the Cure Notice is not submitted in accordance with the requirements contained in the Cure Notice, then the determination as to eligibility and scoring made by THDA is determinative. The review process described below is not available to applicants who do not submit additional documentation, **in THOMAS**, in accordance with the Cure Notice (including, without limitation, the time deadlines specified therein.).
3. These cure provisions **do not apply** to Initial Applications that are not submitted in accordance with the Initial Application submission requirements of this QAP.
4. THDA will review all documentation submitted in accordance with the Cure Notice for each relevant Initial Application. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, meets all of the eligibility requirements of this QAP and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. The provisions of the Review Appeal Process will not apply.



5. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, still does not meet all of the eligibility requirements of this QAP or if the score assigned by THDA in any scoring category is still less than the score assigned by the applicant in the Initial Application, THDA will provide a Review Notice. The Review Notice will specify the time period within which a request for review may be made.

### C. Review Appeal Process

1. Applicants who receive a Review Notice may submit a request for review. This request for review must be submitted in THOMAS in accordance with the Review Notice and the THOMAS Documents Page. If no written request for review is submitted, no review will occur and the THDA determination prior to the issuance of the Review Notice will be final.
2. No additional documentation may be submitted in connection with this request for review. No information submitted after the expiration of the relevant cure period specified in the Cure Notice for an Initial Application will be considered. Requests for review that were not submitted in accordance with the Review Notice will not be considered.
3. The Tax Credit Committee of the THDA Board of Directors will meet in regular or special session in 2021 to evaluate the Initial Application, documentation submitted during the cure period, the Review Notice, the request for review and THDA staff analysis thereof (the "Review Meeting"). The Tax Credit Committee will consider only documentation submitted in compliance with the Cure Notice regardless of whether the applicant or a representative thereof is present at the Review Meeting.
4. The Tax Credit Committee will consider whether documentation submitted as a result of the Cure Notice, taking into account the THDA staff analysis, is sufficient to meet the requirements of this QAP or is otherwise consistent with the spirit and intent of this QAP.
5. **Any contact with THDA Executive Director, any member of the Tax Credit Committee or any member of the THDA Board by any person or entity on behalf of any Initial Application between the date of the Review Notice and the date of the Review Meeting will be grounds for dismissal of the review request.**
6. Applicants or representatives may contact THDA Multifamily Programs staff regarding procedural matters only between the date of the Review Notice and the date of the Review Meeting, which contact will not constitute grounds for dismissal of a review request. Applicants or representatives may, but are not required to, appear at the Review Meeting. Notice of the decision of the Tax Credit Committee will be provided to the contact person specified in an Initial Applicant.
7. The final score for all Initial Applications will be determined after the Review Meeting. By adoption of this QAP, the THDA Board of Directors specifically delegates full authority to the Tax Credit Committee to make the determinations required in this Section. The THDA Board of Directors will not consider requests to review decisions of the Tax Credit Committee. All decisions of the Tax Credit Committee are final. No matters with respect to eligibility or scoring under will be considered after the adjournment of the Review Meeting.

### D. Final Scoring

After the completion of the cure period and completion of the review process, the final score for each Initial Application will be determined by THDA. The Final Notice process is described in the THOMAS Documents Page.



## **E. Application of Various Limits and Final Ranking Process**

Following the final scoring of each Initial Application, THDA will make reservations of Housing Credit to eligible Initial Applications based on final score, the amount of Housing Credit determined by THDA to be appropriate, and the application of all requirements, priorities, and limits contained in this QAP, including as specified below, in the following order:

1. Non-Profit Set-Aside – Initial Applications must be eligible for this set-aside under Section 7 of this QAP. Reservations made from this set-aside will count against the limits for Existing Multifamily Housing or New Construction Regional Pools, as applicable.
  - a. Highest ranking eligible Initial Application proposing new construction.
  - b. Highest ranking eligible Initial Application proposing rehabilitation of Existing Multifamily Housing.
  - c. The next highest ranking eligible Initial Application proposing new construction, if needed to reserve the full amount of the Non-Profit Set-Aside. If there are not enough Housing Credit remaining in the Non-Profit Set-Aside to reserve the full amount requested by this eligible Initial Application, additional Housing Credit will be added to this set-aside to make a full reservation.
2. CNI Grants
  - a. Eligible Initial Applications as described in Section 8 of this QAP.
  - b. Highest ranking eligible Initial Application, regardless of development type.
  - c. THDA will continue down the ranking of eligible Initial Applications in this set-aside until the last full reservation can be made. In the event that a full reservation cannot be made to the next highest ranking Initial Application, then remaining Housing Credit will be transferred to the New Construction Regional Pool.
  - d. Reservations made from this set-aside will count against the limits for Existing Multifamily Housing or New Construction Regional Pools, as applicable.
3. PHA Set-Aside
  - a. Eligible Initial Applications as described in Section 9-B of this QAP.
  - b. THDA will continue down the ranking of eligible Initial Applications in this set-aside until the last full reservation can be made. In the event that a full reservation cannot be made to the next highest ranking Initial Application, then remaining Housing Credit will be transferred to the New Construction Regional Pool.
  - c. Reservations made from this set-aside to eligible Initial Applications proposing developments involving RAD will not count against the limits for New Construction Regional Pools or Existing Multifamily Housing.
4. Existing Multifamily Housing
  - a. Eligible Initial Applications as described in Section 10 of this QAP.
  - b. Highest ranking eligible Initial Application.
  - c. THDA will continue down the ranking of eligible Initial Applications for Existing Multifamily Housing until the last full reservation can be made. In the event that a full reservation cannot be made to the next highest ranking eligible Initial Application, then remaining Housing Credit will be transferred to the New Construction Regional Pool.
5. New Construction Regional Pools and all remaining New Construction
  - a. Eligible Initial Applications in the New Construction Regional Pools will be ranked in descending order. THDA will proceed down the ranking of eligible Initial Applications for the New Construction Regional Pools, making Reservations to fill the New Construction Regional Pools as specified in Map 3-1 and in Section 3-C.
  - b. New Construction Regional Pool allocations are limited to 1 per county. Allocations to developments involving RAD will not count against this per county limit.
  - c. A new construction allocation from the general pool is subject to the applicable limits in Section 3 of this QAP.



- d. The next highest ranking New Construction Initial Application(s) will be funded from a general pool which includes the balance of any unallocated 2021 Housing Credit from prior set-asides, rounds and pools.
- e. If the Housing Credit remaining is likely to exceed 1 percent of the total Housing Credit available for reservation, any remaining Housing Credit **may** be offered as a partial reservation to the next highest ranking eligible Initial Application proposing new construction, taking into account all applicable priorities and limits, until the Housing Credit is accepted. Acceptance of a partial reservation according to this provision would not classify a development as an “existing” Initial Application in subsequent years, but any limitation on Housing Credit per development in subsequent years would apply to any such partial reservation.

**F. Tie Breaker**

- 1. In the event of a scoring tie between two or more Initial Applications proposing new construction at the cutoff for receipt of a Reservation Notice, the tie shall be broken as follows:
  - a. Priority will be given to the new construction development with the highest tie breaker score (HC/Sq. Ft. points + HC/Unit points = tie breaker score) as calculated according to Table 14–1 below. Round HC/sq. ft. **down** to the next \$0.50. Round HC/unit **down** to the next \$500.

Table 14–1: Tie Breaker			
HC/Sq. Ft.		HC/	
(heated)	Points	Unit	Points
≤\$7.00	50	≤\$5,000	50
\$7.50	49	\$5,500	49
\$8.00	48	\$6,000	48
\$8.50	47	\$6,500	47
\$9.00	46	\$7,000	46
\$9.50	45	\$7,500	45
\$10.00	44	\$8,000	44
\$10.50	43	\$8,500	43
\$11.00	42	\$9,000	42
\$11.50	41	\$9,500	41
\$12.00	40	\$10,000	40
\$12.50	39	\$10,500	39
\$13.00	38	\$11,000	38
\$13.50	37	\$11,500	37
\$14.00	36	\$12,000	36
\$14.50	35	\$12,500	35
\$15.00	34	\$13,000	34
\$15.50	33	\$13,500	33
\$16.00	32	\$14,000	32
\$16.50	31	\$14,500	31
\$17.00	30	\$15,000	30
\$17.50	29	\$15,500	29



Table 15-1 (continued): Tie Breaker			
\$18.00	28	\$16,000	28
\$18.50	27	\$16,500	27
\$19.00	26	\$17,000	26
\$19.50	25	\$17,500	25
\$20.00	24	\$18,000	24
\$20.50	23	\$18,500	23
\$21.00	22	\$19,000	22
\$21.50	21	\$19,500	21
\$22.00	20	\$20,000	20
\$22.50	19	\$20,500	19
\$23.00	18	\$21,000	18
\$23.50	17	\$21,500	17
\$24.00	16	\$22,000	16
\$24.50	15	\$22,500	15
\$25.00	14	\$23,000	14
\$25.50	13	\$23,500	13
\$26.00	12	\$24,000	12
\$26.50	11	\$24,500	11
\$27.00	10	\$25,000	10
\$27.50	9	\$25,500	9
\$28.00	8	\$26,000	8
\$28.50	7	\$26,500	7
\$29.00	6	\$27,000	6
\$29.50	5	\$27,500	5
\$30.00	4	\$28,000	4
\$30.50	3	\$28,500	3
\$31.00	2	\$29,000	2
\$31.50	1	\$29,500	1
≥30	0	≥\$30,000	0

- b. If the tie is not broken by Section 14-F-1-a, then priority will be given to the proposed new construction development in the Initial Application requesting the least amount of Housing Credit per low income unit.
- 2. In the event of a scoring tie between two or more Initial Applications proposing rehabilitation of Existing Multifamily Housing, the tie shall be broken as follows:
  - a. Priority will be given to the proposed development requesting the least amount of Housing Credit per Housing Credit unit.

**G. Preliminary Ranking List**

All Initial Applicants that have been earmarked for an annual allocation of Housing Credit in the applicable funding year will be listed on the Preliminary Ranking List that will be available at [www.thda.org](http://www.thda.org). This ranking is a preliminary confirmation of a reservation of Housing Credit.





## **H. Reservation Letter Process**

1. THDA will provide a Reservation Notice.
2. The THOMAS Documents Page describes requirements that must be met, including timelines, for the reservation process.
3. In determining the initial amount of Housing Credit to be reflected in the Reservation Notice, THDA will use the costs, incomes, and expenses submitted in the Initial Application, as determined reasonable by THDA.
4. The final amount of Housing Credit allocated to each successful applicant may be less than, but not be more than, the amount requested in the Initial Application, the amount specified in the Reservation Notice or the amount that will be reflected in the Carryover Allocation Agreement. Allocations will be determined in connection with a Carryover Allocation Application and in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this QAP.

## **I. Recapture of Housing Credit During Reservation Period**

1. THDA will cancel a Reservation Notice for failure to fully satisfy conditions imposed in connection with the Reservation Notice and for failure to provide satisfactory information or documentation required by the Reservation Notice by the deadlines specified in the Reservation Notice. When so cancelled, the Housing Credit referred to in the Reservation Notice is not available for the development specified in the Reservation Notice and will be made available to other qualified developments. Deadlines specified in the Reservation Notice are the dates upon which Housing Credit is deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline or unless an extension has been granted.
2. Housing Credit made available through a Reservation Notice may be voluntarily returned. Any such return means Housing Credit is not available for the development referenced in the Reservation Notice.
3. Any Housing Credit recaptured either by cancellation of a Reservation Notice or voluntarily returned will be reserved to the fullest extent practical to other qualified Initial Applications for Housing Credit as provided in this QAP.



## Section 15: Carryover Allocation Process

### A. Qualifying for a Carryover Allocation

An applicant with a Reservation Notice for a development that will not place in service by December 31 of the year in which the Reservation Notice was issued may be eligible for a Carryover Allocation of Housing Credit (“Carryover Allocation”). In order to qualify for a Carryover Allocation, the ownership entity identified in the Initial Application must have ownership of the property identified in the Initial Application and must have incurred costs of at least 10 percent of the reasonably expected basis in the development by the date specified in the Carryover Allocation Agreement.

### B. THOMAS Carryover Allocation Application Submission Requirements

1. To obtain a Carryover Allocation Agreement, a completed Carryover Allocation Application must be submitted in THOMAS by the date specified by THDA. The THOMAS User Manual specifies the required information and any additional documentation to be submitted.
2. The owner must execute a Carryover Allocation Agreement and return the executed Carryover Allocation Agreement to THDA no later than the date specified in the Carryover Allocation Agreement.
3. The owner must submit (through THOMAS) equity syndication closing documentation and, if applicable, construction financing closing documentation.
4. The owner must submit the Cost Certification for the 10 Percent Test in THOMAS no later than the date specified in the Carryover Allocation Agreement.
5. If available, a recorded warranty deed showing ownership by the ownership entity identified in the Initial Application, or a fully executed 50-year ground lease (subject to the provisions of this QAP) showing the ownership entity identified in the Initial Application as the lessee, a copy of recorded warranty deed or ground lease, as applicable, must be submitted.
6. If a PILOT agreement is available, a copy of the PILOT agreement must be submitted.

### C. Carryover Allocation Application Review Process

During the review of the Carryover Allocation Application, THDA will issue Evaluation Notices to request additional documentation and/or information for purposes of clarifying eligibility, scoring and financial feasibility. Evaluation Notices will be issued in the following manner:

Table 15–1: Schedule of Evaluation Notices and Deadlines	
Evaluation Notice	Deadline for Response
First	5 business days from the date of the Evaluation Notice
Second	2 business days from the date of the Evaluation Notice
Final	1 business day from the date of the Evaluation Notice

THDA will not issue a Carryover Allocation Agreement if the conditions contained in Evaluation Notices issued in connection with the Carryover Allocation Application are not fully satisfied. Deadlines specified in the Final Evaluation Notice are the dates upon which Housing Credit may be recaptured by THDA if the conditions related to the deadline have not been met. Upon



notification, the Housing Credit referred to in the Reservation Notice is not available for the development and will be made available to other qualified developments.

**D. Housing Credit Available**

The amount of Housing Credit reflected in a Carryover Allocation Agreement will be determined by THDA in connection with an evaluation at the time a Carryover Allocation is requested. The amount of Housing Credit may be less than, but will not be more than, the Housing Credit amount in the Reservation Notice.

**E. Status Reports**

Following execution of a Carryover Allocation Agreement, THDA may request status reports outlining progress towards completion by dates, in a form and with substance all as specified by THDA in its sole discretion.

**F. Recapture of Housing Credit During Carryover Period**

1. THDA will cancel a Carryover Allocation Agreement if there is a failure to fully satisfy conditions imposed in connection with the Carryover Allocation Agreement by the deadlines specified by THDA. When so cancelled, the Housing Credit referred to in the Carryover Allocation Agreement is not available for the development specified in the Carryover Allocation Agreement and will be made available to other qualified developments. Deadlines specified in the Carryover Allocation Agreement are the dates upon which Housing Credit is deemed recaptured by THDA if the conditions related to each deadline have not been met on or before such deadlines or unless an extension has been granted. .
2. Housing Credit allocated through a Carryover Allocation Agreement may be voluntarily returned by the owner. Upon return, the Housing Credit referred to in the Carryover Allocation Agreement is not available for the development specified in the Carryover Allocation Agreement.
3. Any Housing Credit recaptured either by cancellation of a Carryover Allocation Agreement or by voluntary return by the owner will be made available as follows:
  - a. Any Housing Credit returned before October 1, 2021 will be reserved to other qualified 2021 Initial Applications for Housing Credit as provided in this QAP.
  - b. Any Housing Credit returned on or after October 1, 2021 will be available in 2022.



## Section 16: Construction Review Process

### A. Construction Overview

THDA will conduct a preconstruction meeting with the ownership entity, developer, architect, and general contractor after closing of the equity syndication and construction financing. Documentation in a form and with substance specified by THDA must be uploaded into THOMAS. Guidance may be found on the THOMAS Documents Page. The architectural drawings and specifications, as approved by the syndicator and lender, shall be submitted into THOMAS within five (5) days after closing. If rehabilitation of Existing Multifamily Housing or adaptive reuse is proposed, the scope of work must also be submitted in THOMAS within five (5) days after closing. The scheduling of the preconstruction meeting shall not take place until the information is submitted to THDA using THOMAS. **THDA does not approve or provide any representations or warranties in connection with architectural drawings or specifications or other documents submitted in connection with the construction review process described in this Section.**

### B. Preconstruction Meeting

The purpose of the preconstruction meeting is to outline basic responsibilities and duties of the various parties throughout the construction process in relation to the Housing Credit Program.

1. For developers with no previous Housing Credit program experience, a full preconstruction meeting must take place.
2. Developers with previous Housing Credit program experience may request a limited preconstruction meeting.
3. THDA shall determine, in its sole discretion, whether the preconstruction meeting will be full or limited.

**Preconstruction meeting scheduling should not delay construction progress.**

### C. Construction Inspections and Reporting

After the preconstruction meeting has been conducted, construction reporting and periodic construction site visits by THDA are required.

1. The following required documents shall be submitted in THOMAS prior to construction site visits:
  - a. Executed Notice to Proceed
  - b. Building Permits (if not required, the applicable local official must submit a letter verifying that building permits are not required).
  - c. Construction Schedule with anticipated benchmarks
2. During the construction process, THDA will inspect the work progress monthly, or as otherwise determined by THDA to be necessary, and conduct periodic site inspections for compliance with THDA requirements based on the Percentage of Construction Complete as reported in THOMAS.
3. Monthly executed draw packages and quarterly construction progress reports are required and shall be submitted in THOMAS.



4. Updated construction schedule and scope of work shall be submitted based on the Schedule of Evaluation Notices and Deadlines if requested by THDA:

Table 16-1: Schedule of Evaluation Notices and Deadlines	
Evaluation Notice	Deadline for Response
1	5 business days
2	2 business days
Final	1 business day

**D. Completion of Construction Documentation**

The following items shall be uploaded to THOMAS following completion of construction and before the final construction inspection is scheduled:

1. Architect Certification regarding:
  - a. Compliance with applicable building codes; and
  - b. Compliance with all federal accessibility requirements including without limitation, ADA and Fair Housing Act requirement; and
  - c. Compliance with UPCS, and
  - d. Compliance with all state requirements.
2. Certificate of substantial completion issued by the architect; and
3. Certificate of Occupancy for each building (if not required, applicable local official must submit a letter verifying this information), and
4. Final Draw Package.

**E. Final Construction Inspection**

Once construction is 100% complete, all documents have been submitted in THOMAS, and all threshold requirements in the QAP and items selected for points in the Initial Application are complete, a final construction inspection shall be conducted to determine compliance with THDA requirements and UPCS.



## Section 17: Final or Placed in Service Process

### A. Timeframes for Final Application Submission

After all units in a development are placed in service, the completion of construction documentation shall be submitted into THOMAS. THDA will then schedule the final construction inspection referenced in Section 16-E.

### B. THOMAS Final Application Submission Requirements

Following notice from THDA regarding a satisfactory final construction inspection, a Final Application may be submitted through THOMAS. THDA maintains an open cycle for the submission of Final Applications in THOMAS. The Final Application must be entered into THOMAS with required supporting documents. The THOMAS User Manual contains more information on the Final Application requirements and documents.

### C. Final Application Review Process

During the review of the Final Application, THDA will issue Evaluation Notices that may request additional documentation and/or information for purposes of clarification of eligibility, scoring and financial feasibility. Evaluation Notices will be issued in the following manner:

Table 17-1: Schedule of Evaluation Notices and Deadlines	
Evaluation Notice	Deadline for Response
1	5 business days
2	2 business days
Final	1 business day

THDA will not issue IRS Form(s) 8609 if all conditions contained in Evaluation Notices are not fully satisfied. The deadline specified in the final Evaluation Notice is the date upon which Housing Credit may be recaptured by THDA if the conditions related to the deadline are not met. Upon notification, the Housing Credit referred to in the Carryover Allocation Agreement are not available for the development and will be made available to other qualified developments.

### D. Final Allocation of Housing Credit

THDA will make a final allocation of Housing Credit and will issue IRS Form(s) 8609 after satisfactory review of the Final Application and supporting documents are completed. **The amount of Housing Credit allocated to a development at placed in service may be less than, but will not be more than, the amount reserved in the Reservation Notice or the amount allocated in the Carryover Allocation Agreement. THDA reserves the right to make downward adjustments to the final amount of Housing Credit allocated based on the information submitted, QAP requirements, and Section 42 requirements.**

### E. Submission of Permanent Financing Documents

1. THDA must receive a copy of the promissory note and recorded deed of trust for permanent financing of the development in THOMAS within sixty (60) days of the date of recording of the deed of trust. Failure to provide such documentation shall be deemed an event of noncompliance. THDA reserves the right to issue revised IRS Form(s) 8609 following receipt of the promissory note and recorded deed of trust if the terms of the promissory note or deed of trust vary from the terms specified in the Final Application.



## **Section 18: Compliance and Development Stabilization Process**

The following compliance monitoring procedures and requirements apply to all buildings placed in service in Tennessee:

- A. Each year, during the term of the LURC, Owners shall certify, under penalty of perjury, by the deadline established by THDA, that, for all times during the prior calendar year, all of the following were true (“Owner’s Annual Certification of Compliance”):
1. The Housing Credit development met the minimum election set-aside requirements of the appropriately selected test (i.e. 40/60 Test, 20/50 Test, or 60 Percent Income Averaging Test) consistent with the irrevocable election made at the time of the Initial Application under the relevant QAP;
  2. There was no change in the applicable fraction of any building in the Housing Credit development or that there was a change and a description, satisfactory to THDA, of that change;
  3. The Owner’s files contain annual Household Income Certifications from each low-income household and documentation to support that certification at initial occupancy and at each subsequent year during the term of the LURC;
  4. Proper approval for the applicable utility allowances used to determine rent as outlined in 26 C.F.R. Section 1.42-10 and THDA policy.
  5. All units in the Housing Credit development were for use by the general public;
  6. There were no findings of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619 for the Housing Credit development;
  7. Each building in the Housing Credit development is suitable for occupancy, taking into account UPCS standard and local health, safety, and building codes (or other habitability standards) and the state or local government unit responsible for making local, health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the development;
  8. There has been no change in the eligible basis of any building in the Housing Credit development or, if there was a change, the nature of the change;
  9. All resident facilities included in the eligible basis of any building in the Housing Credit development, such as a swimming pool, other recreational facilities, and parking areas, were provided on a comparable basis, without charge, to all residents of the Housing Credit development;
  10. If a low-income unit became vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to households having a qualifying income before any units in the Housing Credit development were rented to households not having a qualifying income and while the unit was vacant, no units of comparable or smaller size were rented to households not having a qualifying income;
  11. If the income of a household occupying a low-income unit in the Housing Credit development increased above the applicable income limit, the next available unit of a comparable or smaller size was rented to a household having a qualifying income;
  12. A LURC was in effect, and included a provision that an owner cannot refuse to lease a unit in the Housing Credit development to an applicant because the applicant holds a voucher under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f;
  13. All low-income units in the Housing Credit development were used on a non-transient basis, except for transitional housing for the homeless or single-room occupant units rented on a month-by-month basis;
  14. If the owner received Housing Credit from the Non-Profit Set-Aside, the Qualified Non-profit Organization” materially participated (regular, continuous and substantial on-site involvement) in the on-going operation of the development; and



15. All requirements associated with items for which points were taken at the time of Initial Application were met.
- B. If the Owner cannot certify to one or more of the above items, a detailed explanation of the situation must be provided to THDA with the Owner's Annual Certification of Compliance.
- C. THDA will review all Owner's Annual Certifications of Compliance for compliance with Section 42, relevant regulations, the Initial Application, the LURC, and the applicable QAP. THDA will also conduct yearly on-site inspections of no less than 33% of Housing Credit developments.
1. For the selected Housing Credit developments, THDA will review at least 20% of tenant files for compliance with applicable occupancy and rent restrictions.
  2. For the selected Housing Credit developments, THDA will conduct physical inspections of at least 20% of the units to evaluate suitability for occupancy, taking into account UPCS and local, health, safety, and building codes (or other habitability standards).
  3. As a part of the on-site inspection, a review will be conducted of the Owner's marketing efforts to attract special needs populations and Section 8 applicants.
- D. THDA shall provide prompt written notice to an Owner if any of the following occur:
1. THDA does not receive the Owner's Annual Certification of Compliance by the specified deadline;
  2. THDA does not receive or is not permitted to inspect household income certifications, supporting documentation or rent records;
  3. THDA discovers by inspection, review or in some other manner that the Housing Credit development is not in compliance with Section 42, the relevant regulations, the LURC, or the applicable QAP.
- E. Owners shall pay fees, as determined by THDA, to cover the administrative expenses of monitoring compliance and other expenses incurred in carrying out its duties as the Housing Credit Agency, including but not limited to, reasonable fees for legal and professional services.
- F. Owners shall have ninety (90) days to provide missing documentation or to correct noncompliance (the "Correction Period"). The Correction Period begins on the date of THDA's written notice to the Owner specifying the missing documentation or the noncompliance via regular mail or via e-mailed to the address specified for the Owner or Owner's contact in the files held by THDA. The Correction Period may be extended up to an additional 90 days for a total Correction Period not to exceed six (6) months upon a showing of good cause by the Owner, all as determined by THDA in its sole discretion. Notwithstanding the foregoing, THDA will not grant extensions for items that are immediate health and safety issues.
- G. Owners shall have seventy-two (72) hours to provide missing documentation or to correct noncompliance with regard to immediate health and safety issues (the "Health and Safety Correction Period"). The Health and Safety Correction Period begins on the date THDA notifies the Owner specifying the missing documentation or the noncompliance via on-site letter, via telephone, or via e-mail to the telephone number or to the address specified for the Owner or Owner's contact in the files held by THDA.
- H. THDA shall file an IRS Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service to show noncompliance or failure to certify compliance no later than 45 days after the end of the Correction Period and no earlier than the end of the Correction Period, whether or not the noncompliance or failure to certify compliance is corrected.





- I. THDA has the right to inspect any Housing Credit development at any time during the term of the LURC, including, but not limited to, on-site inspections and review of all records relating to compliance with, without limitation, Section 42 requirements, Treasury regulations, the applicable QAP, and the LURC. Owner shall promptly deliver copies of household certifications and supporting documentation as may be required by THDA.
- J. Owners are responsible for complying or ensuring compliance of the Housing Credit development with Section 42, relevant regulations, the LURC, and the applicable QAP throughout the term of the LURC. THDA's obligation to monitor compliance with Section 42, relevant regulations, the LURC, and the applicable QAP does not make THDA or the State of Tennessee liable for an Owner's noncompliance.
- K. Any Housing Credit development must be managed, during the term of the LURC, by a management company/agent that has a current, valid, certification under the THDA Certified Property Manager program. More information is available here: <https://thda.org/rental-housing-partners/multi-family-developers/housing-credit-compliance>.
- L. Owners and managers shall attend THDA provided training as follows:
  - 1. For Housing Credit developments involving **new construction**, Owners and the management entity shall send attendees to the owner's compliance training sessions provided by THDA within the 12 months prior to the issuance of the IRS Form 8609. Only attendees who are listed on the Organization Chart submitted in THOMAS or who are employees of the Owner may meet this requirement.
  - 2. For Housing Credit developments involving **rehabilitation**, Owners and the management entity shall send attendees to the owner's compliance training sessions provided by THDA prior to the placed in service date for the development. Only attendees who are listed on the Organization Chart submitted in THOMAS or who are employees of the Owner may meet this requirement.
  - 3. Property managers and staff shall attend manager's compliance training sessions provided by THDA in accordance with the requirements for the THDA Certified Property Manager/Agent Program.
- M. Owners shall maintain records for each qualified low income building in the Housing Credit development for each year for the term of the LURC sufficient to meet the requirements of 26 C.F.R. Section 1.42-5(b). All first year files shall be maintained as paper records and shall be maintained within Tennessee until THDA conducts the first inspection of the Housing Credit development. Thereafter, files may be maintained in electronic format. Any household records or other records maintained in an electronic format shall be accessible to THDA at THDA's request.
- N. Owners shall submit Owner's Annual Certification of Compliance and required household data via THOMAS or THDA's online system within the timeframe specified by THDA.
- O. Owners shall submit, not less than annually during the term of the LURC, information concerning the race, ethnicity, family composition, age, income, use of rental assistance under Section 8(o) of the United States Housing Act of 1937 or other similar assistance, disability status, and monthly rental payments of households residing in the development in a form, with substance, and with timing as THDA may require.



- P. In the event of a sale, transfer, or exchange of a Housing Credit development or any change with respect to the general partner/managing member of the ownership entity (including, without limitation, sale of any or all general partner interests, removal of any general partner, or admission of any general partner), the owner shall notify THDA in writing at least 30 days prior to the closing of such a transaction and shall provide information about the proposed new owner or proposed new general partner/managing member of the ownership entity as THDA may request. THDA may require the proposed new owner or proposed new general partner/managing member of the ownership entity to meet with THDA staff after closing and to attend owner's compliance training. **These requirements do not apply when a development is sold following the completion of the QCP when THDA has not identified a purchaser.**
- Q. THDA shall carry out its monitoring responsibilities in accordance with Section 42, relevant regulations, the applicable QAP and applications submitted thereunder, and the LURC. THDA will also rely on guidance from the IRS via the "Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition", Revenue Procedures, Revenue Rulings and other similar guidance, all as modified from time to time.
- R. All monitoring and compliance activities referenced are required for the term of the LURC, whether specifically stated or not. All monitoring and compliance activities referenced are required for all Housing Credit developments subject to compliance monitoring.



## **Section 19: Noncompetitive Housing Credit Allocated to Developments Financed with Tax Exempt Bonds**

### **A. Allocation Requirements**

Developments financed with tax-exempt bonds issued as a result of an award of MTBA may be eligible for allocations of Noncompetitive Housing Credit outside of the competitive process described in this QAP. These developments must meet the following conditions:

1. Applicants applying for Noncompetitive Housing Credit and MTBA must demonstrate that a minimum of 50% of the outstanding principal amount of tax-exempt bonds originally issued using an award of MTBA remain outstanding as of the placed in service date for the development. On that date, the outstanding principal amount of tax-exempt bonds originally issued using an award of MTBA must meet the requirements of Section 42(h)(4). Either bond counsel or a certified public accountant licensed in Tennessee must certify to THDA that this financing requirement is met.
2. Applicants applying for MTBA in THOMAS are deemed to be simultaneously applying for Noncompetitive Housing Credit in THOMAS. THDA will determine the amount of Noncompetitive Housing Credit to be allocated and will issue a Firm 42(m) Letter or a Conditional 42(m) Letter. In determining the initial amount of Noncompetitive Housing Credit to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application as determined to be reasonable by THDA. Allocations are subject to Section 42(m)(2) and this QAP. Any allocation of Noncompetitive Housing Credit will not count against the limits on Housing Credit by county, developer and related parties as specified in this QAP.
3. Applicants applying for MTBA and Noncompetitive Housing Credit are subject to the requirements in the 2021 MTBA Program Description and in this Section 19.
4. In addition, applicants applying for MTBA and Noncompetitive Housing Credit are subject to all applicable requirements of this QAP as determined by THDA, including, without limitation, determinations of eligibility as described in Section 1 of this QAP, fees described in Section 5 of this QAP, the construction review process requirements found in Section 16 of this QAP, the compliance requirements found in Section 18 of this QAP, and the application procedures found in Sections 4, 17, and 18 of this QAP.
5. If an Initial Application for Competitive Housing Credit and an application for MTBA and Noncompetitive Housing Credit for the same development is submitted, the Initial Application for Competitive Housing Credit will be deemed ineligible for further consideration, see Section 12 of the 2021 MTBA Program Description.

### **B. Development Limits**

The maximum amount of annual Noncompetitive Housing Credit that may be allocated to a single development is three million dollars (\$3,000,000). In making this determination, THDA will consider the physical location of the development; the relationships among owners, developers, management agents, and other Development Team members; the structure of financing; and any other information which might clarify whether applications reflect a single development or multiple developments.

An applicant may submit a written request for an exception to the maximum Noncompetitive Housing Credit limit. The written request must include sufficient supporting documentation and information to substantiate the additional Noncompetitive Housing Credit as determined by THDA, in its sole discretion. Only one (1) written request for an exception to the maximum Noncompetitive Housing Credit limit per application may be submitted. If an exception to the amount of MTBA that may be awarded is also needed, then both exceptions must be included in one request. Multiple requests will not be considered.



**C. Total Development Cost Limits**

Total Development Cost limits as specified in Table 3–2 in Section 3–G of this QAP will be applied to all proposed developments requesting Noncompetitive Housing Credits at the time of Initial Application. The cost of issuance and any deferred portion of the developer fee over 15% will be excluded from these costs.

**D. Noncompetitive Housing Credit Threshold Requirements**

Applications requesting Noncompetitive Housing Credits must satisfy the applicable requirements of Section 12 of this QAP except for Section 12–A–1 and Section 12–A–13.

**E. Noncompetitive Housing Credit Scoring**

The scoring criteria in this Section 19 is not intended to allow an applicant to claim the maximum 100 points. An Initial Application must contain a minimum score of **60 points** to be eligible for MTBA and Noncompetitive Housing Credit. The score will be confirmed by THDA, in its sole discretion, during the Initial Application review process.

- 1. Project Location:** *up to 7 points*
  - a. Proposed developments located wholly and completely in a QCT or DDA as designated by HUD. *2 points*
  - b. Proposed developments located wholly and completely in a county or municipality with a growth plan approved by the local government planning advisory committee as determined by the Tennessee Advisory Commission on Intergovernmental Relations. *5 points*
  
- 2. Meeting Housing Needs:** *up to 10 points*

Choose One:

  - a. Proposed new construction multifamily housing developments or proposed adaptive reuse/conversions of buildings that are not currently used for housing to multifamily housing developments; *10 points*
    - i. OR
  - b. Proposed rehabilitation of Existing Multifamily Housing that are not currently income and rent restricted; or *10 points*

OR
  - c. Proposed preservation of Existing Multifamily Housing that are currently income and rent restricted. *10 points*
  
- 3. Development Characteristics:** *up to 25 points*
  - a. Rehabilitation of an Existing Multifamily Housing in an area covered by a CRP. *5 points*
  - b. Installation of a Range Oven, Fire Stop, Auto Stop or comparable extinguishing system over the stove in each unit. *5 points*
  - c. Installation and maintenance of a camera video security system with at least one (1) camera monitoring each of the following areas: front of each building, back of each building, community room, computer center, rental office, all site entrance/exit roadways and parking areas. *5 points*
  - d. Construction and maintenance of a walking trail, minimum four (4) feet wide and 1250 linear feet paved and continuous. At least one (1) permanently anchored weather resistant bench with a back must be installed at the mid–point of the trail. Sidewalks are not eligible for these points. *5 points*



- e. Construction and maintenance of perimeter fencing extending around all sides of the development site, except at development entrances. Chain link fencing is not eligible for these points. **5 points**
- f. Construction and/or rehabilitation of development signs, including the Fair Housing Logo, at all entrances to the development site. **5 points**
- g. Use of anti-fungal roofing materials with a minimum 30 year warranty. **5 points**
- h. Rehabilitation of an Existing Multifamily Housing development that includes **complete replacement** of existing exterior wooden stair systems (regardless of remaining useful life) with new steel or concrete stair systems. **5 points**
- i. The proposed development exclusively involves a structure or structures listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the U. S. Department of the Interior as being of historical significance to the district. All proposed construction and/or rehabilitation shall be completed in such a manner as to be eligible for historic rehabilitation credits. Developments seeking to combine historic nature and adaptive reuse will be treated as new construction. **5 points**

- 4. Sponsor Characteristics: up to 10 points**
- a. No member of the Development Team is currently subject to a Major SAE defined in Section 3–D of the 2021 MTBA Program Description. **5 points**
  - b. One member of the Development Team was a member of a Development Team that closed, issued and sold MTBA for at least one (1) development in Tennessee since January 1, 2015. **5 points**

- 5. Serving Resident Populations with Special Housing Needs: 10 points**
- Proposed developments which select these points shall provide a residency preference for households with Special Housing Needs. All facilities shall be ADA Compliant. The development shall meet all Fair Housing Act requirements that all public and common areas be readily accessible to and usable by persons with disabilities. A development shall contain dedicated space with appropriate furniture and fixtures for, and agreements with, providers of Supportive Services relevant to Special Housing Needs residents and at least one (1) of the following on-site amenities.
- a. Construct and/or rehabilitate an exercise facility for appropriate group activity for special housing needs residents. The space must be at least 900 square feet, if indoor; and or
  - b. Construct and/or rehabilitate a gazebo containing a minimum of 100 square feet; which must be covered and have permanent bench seating affixed and in an appropriate location available to all residents for year round usage; or
  - c. Construct and/or rehabilitate a pergola sized a minimum of 14 feet by 14 feet; which must have permanent bench seating affixed and in an appropriate location available to all residents for year round usage; or
  - d. Construct and/or rehabilitate a veranda which must be permanently attached to the side of a building. The veranda must be covered by a roof, be 10 feet wide and extend the length of the attached side of the building. The veranda must contain permanent seating for 10 percent of the units at the development and be available to all residents for year round usage; or
  - e. Construct and/or rehabilitate a picnic shelter which must be covered, with permanent table and bench seating and in an appropriate location available to all residents for year round usage; or
  - f. Provide, in the proposed development’s community room or computer center, updated computer systems equipped with high speed Internet service, which include **new**



computers, **new** printers and **new** scanners purchased within the most recent 12 months as of the placed in service date. Receipts for purchase of **new** computers, **new** printers, and **new** scanners purchased no more than 12 months prior to the placed in service date will be required prior to issuance of IRS Form(s) 8609. The computers should be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on-going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.

**Points may not be taken for Serving Resident Populations with Special Housing Needs and Serving Resident Populations with Children. Applicants must choose whether to select points for Serving Resident Populations with Special Housing Needs or Serving Resident Populations with Children, but not both.**

**6. Public Housing Waiting Lists:**

*5 points*

Applicants who will give priority to persons/households on current Public Housing waiting lists. This priority should be clearly documented in marketing plans, lease-up plans, and operating policies and procedures and provided with the Final Application to ensure compliance. Proposed developments in the counties listed on the Public Housing wait list are eligible for these points.

**7. Serving Resident Populations with Children:**

*10 points*

Applicants who select these points will provide a residency preference to households with children and must construct and/or rehabilitate the number of three (3) bedroom units which equal or exceed a minimum of 20 percent of the total units in the development rounded up to the nearest whole unit.

The proposed development must include (i) a playground with permanent playground equipment of commercial grade quality with a minimum of four separate pieces of equipment or a structure that encompasses a minimum of four pieces of equipment AND (ii) at least one (1) of the following on-site amenities:

- a. Construct and/or rehabilitate an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of after-school tutoring or homework help programs. The space must be available to residents during regular office hours and occasionally during the evenings and weekends; or
- b. Construct and/or rehabilitate a sport field or court (basketball, tennis, baseball, field hockey, soccer, football, etc.) that incorporates permanent fixtures and a minimum of 1,600 square feet of concrete, artificial grass or paved surface, whichever is appropriate for the sport and is separate from all parking areas. The field or court must be available to all residents for year round use; or
- c. Provide in the proposed development's community room or computer center updated computer systems equipped with high speed Internet service, which include **new** computers, **new** printers and **new** scanners purchased within the most recent 12 months as of the placed in service date. Receipts for purchase of **new** computers, **new** printers, and **new** scanners purchased no more than 12 months prior to the placed in service date will be required prior to issuance of IRS Form(s) 8609. The computers should be provided at a minimum of one (1) computer per 50 total units or part of 50 units. Printer cartridges, paper, computer supplies and on-going maintenance of the computer systems sufficient to meet reasonable resident demand must be furnished, free of charge, to residents. The



computer system must be available to residents during regular office hours and occasionally during the evenings and weekends.

**Points may not be taken for Serving Resident Populations with Children and Serving Resident Populations with Special Housing Needs. Applicants must choose whether to select points for Serving Resident Populations with Children or Serving Resident Populations with Special Housing Needs, but not both.**

**8. Development Intended for Eventual Resident Ownership or Extended Recapitalization Period:** *up to 10 points*

- a. Applicants offering qualified residents the right of first refusal to purchase single family Housing Credit buildings at the end of the Compliance Period shall include, in the Initial Application, a detailed plan specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the Compliance Period to provide sufficient funds to the resident at the end of the Compliance Period for the down payment and closing costs to purchase the unit. The plan shall be updated and re-submitted to THDA at the end of year thirteen (13) of the Compliance Period. *5 points*

OR

- b. Applicants may defer the point when the development may request a recapitalization through a subsequent allocation of Housing Credit under the competitive or noncompetitive process. Points are based on the number of years from the date the last building in the development placed in service. Applicants claiming these points shall submit audited annual financial statements to THDA for year 15 of the Credit Period and for each year thereafter within six (6) months of the close of the fiscal year for the development.

*up to 10 points*

Years Since Placed in Service	Points Available
17	2
18	4
19	8
20	10

**9. Energy Efficiency:** *13 points*

- a. At placed in service, the development will include:
  - i) ENERGY STAR rated HVAC systems in all units (15 SEER minimum); and
  - ii) ENERGY STAR refrigerator (19 cubic foot minimum) with ice maker; and
  - iii) Overhead light fixture connected to a wall switch in the living room and all overhead light fixtures in other rooms connected to a wall switch in the same room; and
  - iv) All light fixtures fitted with ENERGY STAR light bulbs; and
  - v) ENERGY STAR rated windows in all units; and
  - vi) All toilets high efficiency or dual flush.



**F. Initial Application Eligibility and Scoring Review**

In connection with evaluation of Initial Applications, THDA will issue Evaluation Notices, as needed, to request additional documentation and/or information for purposes of clarifying eligibility, scoring and financial feasibility. Evaluation Notices will be issued in the following manner:

Evaluation Notice	Deadline for Response
First	5 business days
Second	2 business days
Final	1 business day

Applications with uncured deficiencies may be removed from consideration under both the MTBA Program Description and for an allocation of Noncompetitive Housing Credits if the deficiencies have remained uncured after a deadline in a the Final Evaluation Notice has passed. Applicants may resubmit an application for a commitment of MTBA and an allocation of Noncompetitive Housing Credits at a later date, but must pay a resubmission fee as described in Section 11–D of the 2021 MTBA Program Description. A resubmitted application will be considered a new application under the MTBA Program Description and this Section 19.

**G. Capitalized Terms**

All capitalized terms used in this Section 19 shall have the meaning ascribed to them in this Section 19 or in Section 2 of this QAP or in the 2021 MTBA Program Description.





**Section 20: Special Assistance for At Risk and Distressed Counties**

- A. To be eligible for special assistance pursuant to this Section 20 of this QAP, an Initial Application must propose a development that meets all of the following requirements:
  - 1. Is new construction; and
  - 2. Consists of no more than 64 units; and
  - 3. Be located wholly within one of the following counties: Benton, Bledsoe, Campbell, Carroll, Carter, Claiborne, Clay, Cocke, Decatur, Fentress, Grainger, Grundy, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Houston, Jackson, Johnson, Lake, Lauderdale, Lewis, McNairy, Meigs, Monroe, Morgan, Obion, Overton, Perry, Rhea, Scott, Unicoi, Union, Van Buren, Warren, Wayne, or Weakley.
  
- B. Eligible proposed developments may receive any one, all or any combination of the following Special Assistance, as determined by THDA in its sole discretion:
  - 1. Per development annual Housing Credit limit of \$1.3 million; and
  - 2. Basis Boost of up to 130%; and
  - 3. New construction in a HUD–designated Qualified Census Tract (“QCT”) permissible; and
  - 4. Applicable total development cost limits increased by 10%.



**Section 21: Adoption and Approval by the Governor**

As provided in Executive Order No. 73, dated October 31, 2018 (the “Executive Order”), I, Bill Lee, the Governor of the State of Tennessee, do hereby designate the Tennessee Housing Development Agency (THDA) to be the housing credit agency for this State and, by my execution of this Qualified Allocation Plan, I hereby adopt this Qualified Allocation Plan as my plan for the distribution and administration of Housing Credits in the State of Tennessee, in conformance with Section 42 of the Internal Revenue Code of 1986, as amended and the Executive Order. As also provided in the Executive Order, this Qualified Allocation Plan shall be incorporated, by this reference, into and encompassed by the Executive Order as if set forth in the Executive Order verbatim.

\_\_\_\_\_  
**Bill Lee, Governor**

\_\_\_\_\_  
**Date**

